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VIETNAM
Hanoi appeals for US to lift embargoes
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World News

Vietnam calls on US to lift embargo

Vietnam yesterday appealed to the US to lift its embargo on business and diplomatic links. The call came a day after the signing of the Cambodian peace treaty.

Deputy prime minister Phan Van Khai called it "unfair on the part of the US to continue with the policy of embargo against Vietnam." Page 20

Dubrovnik truce

Croatian and Yugoslav forces agreed a truce around Dubrovnik on the Adriatic. The deal was struck after three weeks of federal army attacks on the medieval walled city. Page 20

More riots in Zaire

Rioting erupted again in Kinshasa, the capital of Zaire, in protest against President Mobutu Sese Seko's appointment of a new prime minister. Page 4

Ukraine vote on N-arms

Ukraine's parliament accepted central Soviet control over nuclear weapons on its territory but demanded the right to veto their use. Ukraine accuses Yeltsin, Page 2

Embassy reopens

Israel reopened its embassy in Moscow after 24 years. The Soviet Union and Israel restored diplomatic ties last week. Picture, Page 4

HK democrats snubbed

Hong Kong governor Sir David Wilson snubbed the pro-democracy liberals who swept the board in last month's elections by appointing mainly conservatives to his top advisory body. Page 4

Libel writs served

Writs for libel were served on Seymour Hersh, US author of a book alleging that Robert Maxwell, publisher of Britain's Daily Mirror newspaper, and its foreign editor Nicholas Davies had links with Israel's secret service. Page 9

Indonesian rebels

The Indonesian army said it had shot dead 14 separatist leaders in the troubled northern province of Aceh where, diplomats estimate, at least 1,000 have been killed in two years of insurrection.

French opinion poll

The number of French people backing right-wing anti-immigrant politician Jean-Marie Le Pen has risen from 18 per cent to 32 per cent in the past year, an opinion poll found, but 76 per cent oppose allowing Le Pen a role in government.

Spanish guards die

Two Spanish civil guards were killed by hooded gunmen as they dined in a San Sebastian bar. Police defused a car bomb in Zaragoza. Basque separatists were suspected in both attacks.

Pakistan match off

India called off the opening match of a Pakistan cricket tour after militant Hindus dug up the pitch in Bombay. Olive branch to India, Page 4

Standing room only

Trains on Japan's Tokyo loop line are to have an extra, seatless carriage added from next month – a move aimed at easing the capital's rush hour crush.

Business Summary

Japanese electronics groups report profits slump

Japan's leading electronics companies – Toshiba, Hitachi, Mitsubishi Electric and NEC – reported sharp falls in pre-tax profits for the first half.

They blamed slowing domestic growth and continued weakness in the US for sluggish sales of semiconductors and business computers. They also noted that no new products emerged to stimulate demand in the consumer electronics market. Page 21; Japanese face market saturation, Page 23

MARKETS: A round of bad economic news in the US left share prices markedly lower in heavy trading. The Dow Jones Industrial Average closed down 24.6 at 3,016.32. In London the FT-SE index plunged by 32.8 points to 2,526.3 as it tested support levels last seen in mid-July. Back Page, Section II; Lex Page 20

KUWAIT reconstruction: The $5bn loan to help pay for the reconstruction of Kuwait has been considerably oversubscribed. It attracted commitments of $6bn from 21 banks in Japan, the US, the Middle East and Europe, many of which have maintained business relations with Kuwait over several years. Page 21

US economy: Durable goods orders fell sharply last month, reviving hopes of lower interest rates and contributing to a rise in the bond market. New orders for manufactured durable goods fell by $4bn or 3.2 per cent to $121.5bn in September. Page 6

EUROTUNNEL, Channel tunnel operator, and the 10 contractors building the £8bn ($13.7bn) project are to hold talks to try to resolve the dispute about construction costs. Transmanche Link, the consortium formed to build the tunnel, is claiming more than £1bn in additional payments. Page 20

SWEDEN'S economy will not recover until 1993 at the earliest, according to two of the country's leading banks which forecast two years of negative, or at best zero, growth. Page 3

EXECUTIVE Life: John Garamendi, the Californian insurance commissioner, backed a radical proposal from America's state insurance guaranty funds to take over Executive Life of California, the ailing Los Angles-based life insurer. Page 21

CHEMICALS industry: The EC's Court of First Instance largely rejected appeals by three of 14 chemical companies against fines of Ecu60m ($73m) by the Commission in 1986 for running a cartel fixing the price of polypropylene, a basic plastics product. Page 3

CAMPEAU, Canadian property developer, is to become a subsidiary of the Reichmann family's Olympia & York Developments under a restructuring plan filed with an Ontario court. Page 24

BATA, international shoe company, is re-entering the Czech market after 45 years. A new company, Bata CSFR, will be 70 per cent owned by the Canadian-based Bata company and 30 per cent by Czech National Property Fund. Page 22

Washington says agreement to defer debt repayments is priority

US rejects safety net plan for Soviet bank

By Lionel Barber in Washington

THE US has told its European allies it will not participate in a proposed financial "safety net" for the western subsidiaries of Vneshekonombank, the Soviet Bank for Foreign Economic Affairs.

The US refusal has irritated the Europeans, who are concerned about the risk of a liquidity crisis at one of the Soviet bank's subsidiaries which could disrupt the western financial system.

US opposition also reflects continuing transatlantic differences about how to respond to the Soviet debt problem. The issue will be discussed when representatives of the Group of Seven industrialised nations meet officials from the republics and central Soviet authorities in Moscow at the weekend.

Central bank governors from the G7 have been considering a plan for a "safety net" at the request of Vneshekonombank, which registered a run on its foreign subsidiaries' deposits immediately after the August putsch against President Mikhail Gorbachev.

The subsidiary considered most at risk is the London-based Moscow Narodny Bank, which is active in the foreign exchange and other financial markets. The Soviet bank also owns Banque Commerciale de l'Europe du Nord in France, the Ost-West Handelsbank in Frankfurt and two other offshoots in Vienna and Luxembourg.

After the run on deposits, Vneshekonombank was forced to inject scarce foreign exchange into its western offshoots, it has emerged in Washington.

Subsequently, Vneshekonombank approached western financial officials who exchanged ideas on how to prevent a future liquidity crisis during last week's annual International Monetary Fund/World Bank meeting in Bangkok.

One option was a loan through the Basle-based Bank of International Settlements, guaranteed by the G7 central banks and backed by their governments.

The US opposed an emergency loan on the grounds that the Vneshekonombank's subsidiaries were local problems to be handled by local bank regulators in Europe. Another view held in Washington is that the Soviet banks are relics of the old communist regime which are unlikely to survive in the long-term and therefore do not deserve special treatment.

But the most important objection turns on priorities, with the administration pushing hard for a quick western response to help the Soviet Union service its $60bn debt and avoid a moratorium.

The US has proposed a six-month to one-year delay on repayment of principal to prevent the Soviets repudiating their debt and to head off a liquidity crisis. "The problem is pretty imminent, and it is important to try to anticipate the problem before it becomes a reality," said a US official.

A priority, in the view of administration officials, is to set up a mechanism for pooling sufficient foreign exchange to support existing liabilities, so ensuring that future western credit continues to flow to the Soviet Union.

The Europeans, notably Germany, have reservations about the US plan to defer debt repayments because they are far more exposed. Germany is already owed $20bn by the Soviets and is burdened by the costs of unification.

Europeans are also unhappy about the US's public campaign on behalf of a delay in repayment in principal, arguing that that it encourages the republics to withhold foreign exchange. Without such a guarantee that the republics will honour their existing debts, the US is unlikely to extend future credit guarantees.

Soviet aid blocked, Page 2
US fears chaos, Page 20

An angry woman addresses demonstrators outside the Russian Parliament in Moscow yesterday demanding higher wages and lower food prices in state shops

Paris takes strike in stride with sang-froid

By William Dawkins in Paris

A DOZEN riot police, armed with machine guns, browsed through stamp albums in a tree-shaded street market just outside President François Mitterrand's Elysée palace.

The scene, yesterday morning, typified the muted impact of the general strike called in France by Force Ouvrière (FO), the union closest to the right-wing political opposition, in protest against the high unemployment, resulting, the union argues, from the government's economic policies.

Certainly, thousands of Paris residents were obliged to walk, roller-skate or cycle to work, because of a rare stoppage in parts of the capital's normally hyper-efficient public transport system. But thousands of others noticed almost no difference, since something like half of the metros and buses were functioning normally in the morning.

By the afternoon, a relieved RATP urban transport board announced that the situation was improving. Central city traffic, usually mayhem even by the standards of ferocious Parisian drivers, was only a little heavier than usual.

The strike was supposed to create "economic death for 24 hours", in the words of Mr Marc Blondel, the FO secretary general. In the event, the result was more a fitful doze.

This was partly due to rifts between the unions, cleverly widened by the government's decision a day earlier to compromise in a pay dispute with civil service workers – represented mainly by the FO.

The French government has appeared to be under siege in recent weeks. Yesterday's disruption came with a worsening of a go-slow by nurses – who have taken to camping in the street outside the Health Ministry – a continued strike at Air Inter the domestic airline, an operation escargot on main motorways by the truck drivers' federation, the halting of a handful of regional newspapers, and a reduction in output from several staff-starved power stations.

The action came against the background of continued violent demonstrations by farmers angered at falling prices and European agriculture policy reforms, and more complex industrial problems among social workers. A pay strike at state-owned Renault yesterday caused Matra, which makes the Espace family wagon, to halt production for two days.

Continued on Page 20

German unions call for high pay rises

By Christopher Parkes in Bonn

WESTERN GERMANY'S steel, public service and banking workers yesterday started the annual national pay round with calls for wage rises of more than double the current inflation rate.

Workers in the iron and steel industry section of the IG Metall union asked for 10.5 per cent, ignoring vigorous appeals for restraint from an anxious government, central bank, employers and economists.

IG Metall, with 3.6m members, is the main power broker among German unions, and it is expected to set the pattern for negotiations nationally.

Officials of the 220,000-strong North-Rhine Westphalia branch of the OTV public service union voted for a two-figure increase and shorter working hours. Their recommendation will go to the central union authorities for agreement before formal claims are presented to employers.

Bank employers, meanwhile, faced with a request for a 12 per cent rise, said the unions had "lost their sense of proportion".

Earlier this week, the country's five leading economic institutes warned that Germany faced a sharp economic downturn if wages, government spending and inflation were not curbed.

The Bundesbank, the central bank, has indicated that it will not hesitate to increase interest rates further to damp demand if necessary. Mr Helmut Schlesinger, Bundesbank president, said last month that inflation had to be brought down to 2 per cent.

The influential IFO economic research institute yesterday claimed that the decline in east Germany had yet to hit bottom, in spite of official reports to the contrary.

Further signs of strain in the economy emerged as MAN Roland, the world's second largest printing machinery maker, announced that a third of its 12,000-strong workforce are to start working short-time.

The economics ministry's latest monthly report, published yesterday, showed that 130,000 people were on short-time work in August, compared with 27,000 a year earlier. Recent labour office statistics show that most of these are in the metal and engineering sectors, which are stagnating at present.

Overall unemployment fell last month after a summer increase to 5.4 per cent compared with 5.9 per cent last September.

Although inflation is currently 3.9 per cent, it is expected to increase to more than 5 per cent in the spring as price rises work through to the shops. It will ease when a special 7.5 per cent supplementary levy on income tax is withdrawn next July.

But petrol increases agreed this week, plus news that rents in large towns are up 11.5 per cent on last year and still rising, will add to inflationary pressures.

Government plans to increase VAT by one percentage point at the end of next year have met wide resistance. The Bundesbank suspects that the proposal may lead to inflation of this year's pay claims, while employees see it as further erosion of their purchasing power.

Pentagon probes Florida operations of Attwoods

By John Plender and Andrew Bolger in London

ATTWOODS, the financially stretched waste management group which yesterday announced an £80m ($137m) rights issue in an attempt to reduce its debts, is being investigated by the Defense Criminal Investigation Service of the US Pentagon.

The probe, which concerns the UK-based company's Florida subsidiary, Industrial Waste Services (IWS), relates to alleged falsification and irregularities in the billing of a US government contractor.

It is the latest of a number of investigations and court cases involving US subsidiaries of Attwoods.

Sir Denis Thatcher, husband of the former British prime minister, has remained as deputy chairman of the company despite continuing controversy over its US activities.

Allegations against IWS, which Attwoods took over in 1984, have included assertions that a senior official of the US company had links with identified members of the Mafia.

The Pentagon examination is believed to have been set in train some months ago, although it has not yet been revealed to shareholders. It is expected to lead to a grand jury investigation in which IWS and certain of its employees will be subpoenaed and required to testify. This follows an internal investigation by management which confirmed billing irregularities.

If the grand jury investigation leads to criminal or civil actions, Attwoods could face restitution costs of up to $1m per fraudulent invoice, according to a recent filing with the US Securities and Exchange Commission (SEC). IWS, and possibly other of its US subsidiaries, could also be suspended or disbarred from participation in US government contracts.

In the event of criminal convictions, Attwoods' US subsidiaries could be disbarred for up to 36 months from contracts with the state of Florida.

Documents with the SEC state that Attwoods was "unable to predict the outcome of this investigation on the company, its officers or employees". About 35 per cent of its US business is in Florida.

In its SEC filings, Attwoods declares that the company and certain of its officers and employees have been the subject of criminal and civil proceedings and investigations. It warns that this could result in adverse publicity which could have an adverse impact on the market price of the company's securities and its operations.

Mr Kenneth Foreman, Attwoods' chairman and chief executive, said last night : "I don't think there is anything there for anyone to be worried about." He did not know the exact number of invoices under investigation. But there was only one employee involved, he said, and the invoice sums involved were small. "The feeling is that it is

Continued on Page 20

Lex, Page 20; Damaging message, Page 27

Weekend FT

Tomorrow: China's hidden capitalists – the red dragon's greedy face

●

This year's meagre yield in the Bordeaux vineyards

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US envoy raises prospect of breakdown in the Soviet Union

Robert Strauss, new US ambassador to the Sovet Union, has revealed US fears about the loss of central authority in the Union. "I don't think we know where power will settle in this country", he says.
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MARKETS

STERLING
New York close
$1.713 (1.699)
London:
$1.7125 (1.7055)
DM2.9075 (same)
FFr9.925 (9.9175)
SFr2.5475 (2.54)
Y224.5 (same)
£ Index 90.3 (same)

GOLD
New York: Comex Dec
$364.0 (364.3)
London:
$361.75 (362.45)

N SEA OIL (Argus)
Brent 15-day Dec
$21.95 (22.05)

Chief price changes yesterday: Page 21

DOLLAR
New York close
DM1.6983 (1.71145)
FFr5.7945 (5.837)
SFr1.4868 (1.496)
Y131.235 (131.675)
London:
DM1.6975 (1.7045)
FFr5.785 (5.815)
SFr1.4875 (1.4895)
Y131.1 (131.6)
$ Index 64.6 (65.0)
Tokyo close:131.33

US closing rates
Fed Funds $5\frac{3}{16}$% ($5\frac{1}{8}$%)
3-mo Treasury Bills:
yield: 5.117% (5.107%)
Long Bond:
$101\frac{1}{16}$ ($101\frac{1}{32}$)
yield: 8.023% (8.026%)

STOCK INDICES
FT-SE 100:
2,526.3 (-32.8)
FT-SE Eurotrack 100:
1,093.89 (-6.93)
FT-A All-Share:
1,221.71 (−1.1%)
New York close close
DJ Ind. Av.
3,016.32 (−24.60)
S&P Comp
385.07 (−2.87)
Tokyo: Nikkei
24,949.26 (+149.32)

LONDON MONEY
3-month interbank:
$10\frac{17}{32}$% ($10\frac{1}{2}$%)
Liffe long gilt future:
$94\frac{1}{4}$ ($94\frac{5}{16}$)

EUROPEAN NEWS

Ukraine accuses Yeltsin of nuclear strike threat

By John Lloyd in Moscow and Chrystia Freeland in Kiev

A SENIOR Ukrainian minister yesterday accused Mr Boris Yeltsin, the Russian president, of threatening the Ukraine with a "preventive nuclear strike" as relations between the Soviet Union's two largest republics continue to worsen.

Mr Konstantin Masik, the Ukrainian first deputy prime minister, said in an interview with the daily Nezavisimaya Gazeta that a recent comment by Mr Yeltsin that he had discussed a nuclear strike on the Ukraine with the military, but that it had been dismissed as "technically impossible", gave "no reassurance to the Ukrainian people".

Mr Yeltsin's remarks, following a report last week that a nuclear strike had been discussed by the Russian authorities, were in fact a strong – if ambiguously phrased – denial that such an attack had been considered. However, in the current state of relations, the ambiguity has been enough to spark a fresh round of name-calling and charges.

In the Crimea, now a district within Ukraine but until 1954 part of Russia, there are growing demonstrations demanding re-integration into Russia by representatives of the majority Russian population.

This follows a statement in August on behalf of Mr Yeltsin that Ukraine's independence would re-open the border question – particularly with respect to the Crimea.

Ukraine's recent decision to create its own 450,000-strong armed forces, and to retain the nuclear weapons on its territory until they are destroyed by international teams rather than to return them to Russia, has further inflamed Russian anger and fear.

Lt-Gen Valery Manilov, spokesman for the armed forces, said that the Soviet army would resist any "barbarian attempt" to take control of its forces and equipment, though he acknowledged that the Ukrainians had the right to set up their own army.

Earlier this month, Mr Oleksandr Emets, head of the Ukrainian parliamentary commission on human rights and the leading candidate to head the new Ukrainian state security service, accused Russia of having territorial intentions and said it was doubtful whether the two republics could enter a defence alliance.

He also said that the main role the newly-formed Ukrainian armed forces would fulfil was to defend the Ukraine. "All of our neighbours include political forces which would like to take over Ukrainian territory."

■ Ukraine is prepared to pay back 15 per cent of the Soviet Union's $68bn (£40bn) foreign debt provided it gets back its share of the gold, diamonds and hard currency deposited in Moscow, a senior Ukrainian official said yesterday, Leslie Colitt writes from Leipzig.

Some of more than 100 Red Army armoured vehicles which have been dumped in a forest on the outskirts of Potsdam, near Berlin. The Soviet army has been criticised in Germany for leaving broken down vehicles and scrap metal near bases it has vacated.

Ukrainian PM defeated on reform programme and economic union

By Chrystia Freeland in Kiev

THE Ukrainian prime minister, Mr Vitold Fokin, was yesterday defeated in parliament over his economic reform programme and his appeal for the Ukraine to sign the economic union treaty with eight other republics.

In what amounted to a no-confidence vote, Ukrainian members of parliament left him five votes short of approval for his reform programme, which was too mild for most deputies' taste.

The vote was followed by a call for the prime minister's resignation from the only political grouping left in the parliament after the dissolution of the Communist bloc. It said the government was incompetent, was not pushing forward economic reform actively enough, and was advocating too close ties with the centre. Mr Fokin is expected to try his luck again today with a programme of privatisation, reorientation of the economy from heavy industry to consumer goods, and price reform.

He yesterday outlined a plan for the introduction of a separate currency sharply at odds with that of Mr Leonid Kravchuk, chairman of the parliament. Even as a Ukrainian delegation is negotiating in Canada for the printing of a Ukrainian currency, Mr Fokin said he was cutting a deal with an Italian company to build a factory in the Ukraine which will be ready to print Ukrainian banknotes within six or seven months.

The parliament, meanwhile, gave strong backing to a resolution affirming the Ukraine's nuclear-free status. The statement asserted that nuclear weapons were under the exclusive command of the "former Soviet Union". It said the Ukraine insisted on veto power over the use of the nuclear weapons stationed on its territory and the right to participate directly in future international disarmament agreements.

In the meantime, Mr Fokin favours multiple-use coupons to be introduced on January 1 or February 1 and partially replace the rouble which he says it is now futile "to try to resurrect". He did state one popular position, a call for an immediate division of the Soviet Union's foreign debt. He said the Ukraine will withdraw from the inter-republican currency committee if the central government and other republics do not agree to the Ukraine's demands.

European parliament threat to Soviet aid

By David Buchan in Brussels

THE EUROPEAN Parliament yesterday refused to vote for the Ecu400m ($480m) technical aid promised to the Soviet Union by Brussels, if it means taking that money away from other European Community programmes.

In giving the Community's 1992 budget a first reading, MEPs in Strasbourg voted to put the money promised to the Soviet Union into a special reserve credit which could only be spent if the Council of Ministers agreed to relax its guideline for next year's budget. The EC aid is so far virtually the only foreign assistance which Moscow has been promised in the form of grants. Almost all the rest has been offered in the shape of credit tied to the purchase of goods or grain.

Last month the Commission proposed a revision of the 1992 budget guideline. But the Council of Ministers prefers to find the Soviet aid money from programmes, ranging from high technology research, energy and transport to education and tourism, which are dear to MEPs' hearts.

In voting on some 900 amendments yesterday, MEPs took the draft budget as it emerged from the Council last month, and raised the level of commitments by Ecu2.2bn to Ecu67.8bn.

Yesterday's overall increase appears to be dependent on EC governments agreeing to raise the yearly ceiling that has been set on EC spending since 1988.

AT&T sets up Yerevan system

American Telephone and Telegraph yesterday inaugurated an international gateway telecommunications system in Yerevan, the capital of Armenia, which will allow the republic to phone the outside world without routing through Moscow, writes Leyla Boulton in Yerevan.

The total cost of the 5ESS digital switching system, complete with a new ground station to transmit calls via satellite, is $6m – with AT&T putting up $4.2m of the total and Armenia paying the rest. There is expected to be heavy traffic between Yerevan and the US, where many Armenians live.

French call for new law after Aids scandal

THE French Haemophiliac Association, not satisfied by presidential assurances, yesterday called for a special law to guarantee financial compensation for people contaminated with the Aids virus during blood transfusions, AP reports from Paris.

The call came three days after criminal charges were filed against three former high-ranking health officials in a scandal involving the widespread use of blood supplies which authorities knew were contaminated by the Aids virus.

About 1,200 French haemophiliacs, nearly half the total, have become HIV-positive, and more than 200 have died.

President François Mitterrand on Wednesday told the association that the government was anxious to plan for the future and would set up a system ensuring "fair and complete compensation" in the coming weeks. The national health insurance programme had previously turned down requests for compensation for people who had received tainted blood.

Norway's central bank points out deficit risks

By Karen Fossli in Oslo

NORWAY'S central bank yesterday warned the government that the record budget deficit for 1992 could push up interest rates, weaken confidence in the maintenance of a stable krone and increase strain on monetary policy.

Earlier this month, the ruling minority Labour government unveiled an expansionary budget for 1992 which heavily increases dependence on oil revenue to fund measures to boost employment and stimulate domestic demand.

The non-oil budget deficit is a record NKr65.1bn ($10bn), up from an estimated NKr56.7bn for 1991. Including oil revenue, the new budget deficit, before loan transactions, is NKr24.2bn, up from NKr19.2bn in 1991.

The budget called for the estimated gross borrowing requirement next year to be NKr50.1bn.

In a letter to the finance ministry, the central bank said the krone carried a risk premium linked to the economy's vulnerability to oil price swings.

It recommended that the budget deficit be covered through new state borrowing and not by drawing on the state's accounts in the central bank.

Pöhl warns of Europe's 'currency divide'

By Quentin Peel in Wolfsburg

MR Karl-Otto Pöhl, the former president of the Bundesbank, yesterday expressed his fear that an impoverished eastern Europe and Soviet Union would be left out in the cold by the formation of the new 19-nation European Economic Area.

At the same time he warned the nations of eastern Europe that they could not expect large-scale financial assistance from the west.

Mr Pöhl's blunt warnings were delivered at a top-level conference on enterprise strategies for eastern Europe, organised by the International Partnership Initiative (IPI) in Wolfsburg, the headquarters of Volkswagen (one of the founding members).

He said that the new economic space negotiated by the European Community and Efta would create the largest integrated market in the world. It would not only be a single trading area, but would enjoy many of the characteristics of a currency union.

"For most of the Comecon countries it is hardly conceivable that they will be able to fulfil the conditions to enable them to join this club," he said.

"This means that the currency-based division of Europe is something which could become more visible, more substantial, in the course of time." He did not refer specifically to the current negotiations in the EC on a fully-fledged European monetary union.

Mr Pöhl warned that he also saw no prospect of any sort of Marshall Plan for eastern Europe being approved by the west. He cited the US budget deficit, Germany's prior commitments to unification and the Soviet Union, and the extreme caution of commercial banks towards areas of political risk, as reasons for the western hesitation.

However, he rejected suggestions that there was a capital shortage in the west.

Mr Pöhl said that if higher interest rates were paid, he did not doubt that money would be forthcoming.

He urged the former communist countries of the east to concentrate on attracting direct private investment.

They should create the necessary stable political and economic conditions, and stable currencies, he said.

Germany's anti-trust authorities threatened yesterday to overturn a deal signed last month to privatise former East Germany's gas monopoly, Reuter reports from Berlin. Ruhrgas, which holds 35 per cent of the east's Verbundnetz Gas, has offered to lend the eastern regional governments DM150m ($87.6m) to finance the purchase of a 15 per cent share. The Federal Cartel Office said this gave Ruhrgas too much control over VNG.

Farmers protest against Prague agriculture policy

TENS of thousands of Czechoslovak farmers rallied in Prague and Bratislava yesterday, protesting against the government's agriculture policy, Reuter reports from Prague.

The farmers complained about restrictions on agricultural output and about cheap imported produce, the state news agency CSTK reported.

The Prague rally urged the government to pay more attention to "the critical situation in agriculture" and called for a speedy privatisation in farming, which had been forcibly collectivised by former communist governments.

Jessi semiconductor spending to be cut

MEMBERS of Europe's Jessi semiconductor programme have agreed to trim spending to Ecu400m ($484m) in 1992, Reuter reports from Munich.

Jessi, the Joint European Submicron Silicon project, said the budget was about 25 per cent smaller than initially planned as the EC's contribution "fell far short of financial support promised last year".

About half Jessi's budget will come from participating companies, which include all Europe's main electronic concerns, and the other half from the EC and national governments. But Jessi hopes the EC will boost funding to the level originally planned.

A joint meeting of Jessi's board and its committee, consisting of public bodies, also sharpened the focus of Jessi from more than 70 projects to "a set of flagship projects".

These include High Definition Television (HDTV), digital audio broadcasting, digital cellular phones, advanced ISDN networks, lithography and competitive manufacturing.

Jessi was set up in 1989 with the support of French, German, British, Italian, Dutch governments and the EC to advance Europe's micro-electronics industry.

Finns protest over plan for pension freeze

ABOUT 15,000 people, many of them pensioners, rallied in front of parliament in freezing weather yesterday in protest at government plans to cut benefits for the elderly, Reuter reports from Helsinki.

The government plans to freeze index-linked increases which would have raised employment-related pensions 5 per cent and to scrap a 3.7 per cent rise in basic national pension for 1992. Finnish pensioners draw both forms of benefit, which together average about FM3,600 ($875) a month. Pensions are taxed.

Finland faces a budget deficit of close to FM40bn on about FM172bn spending next year.

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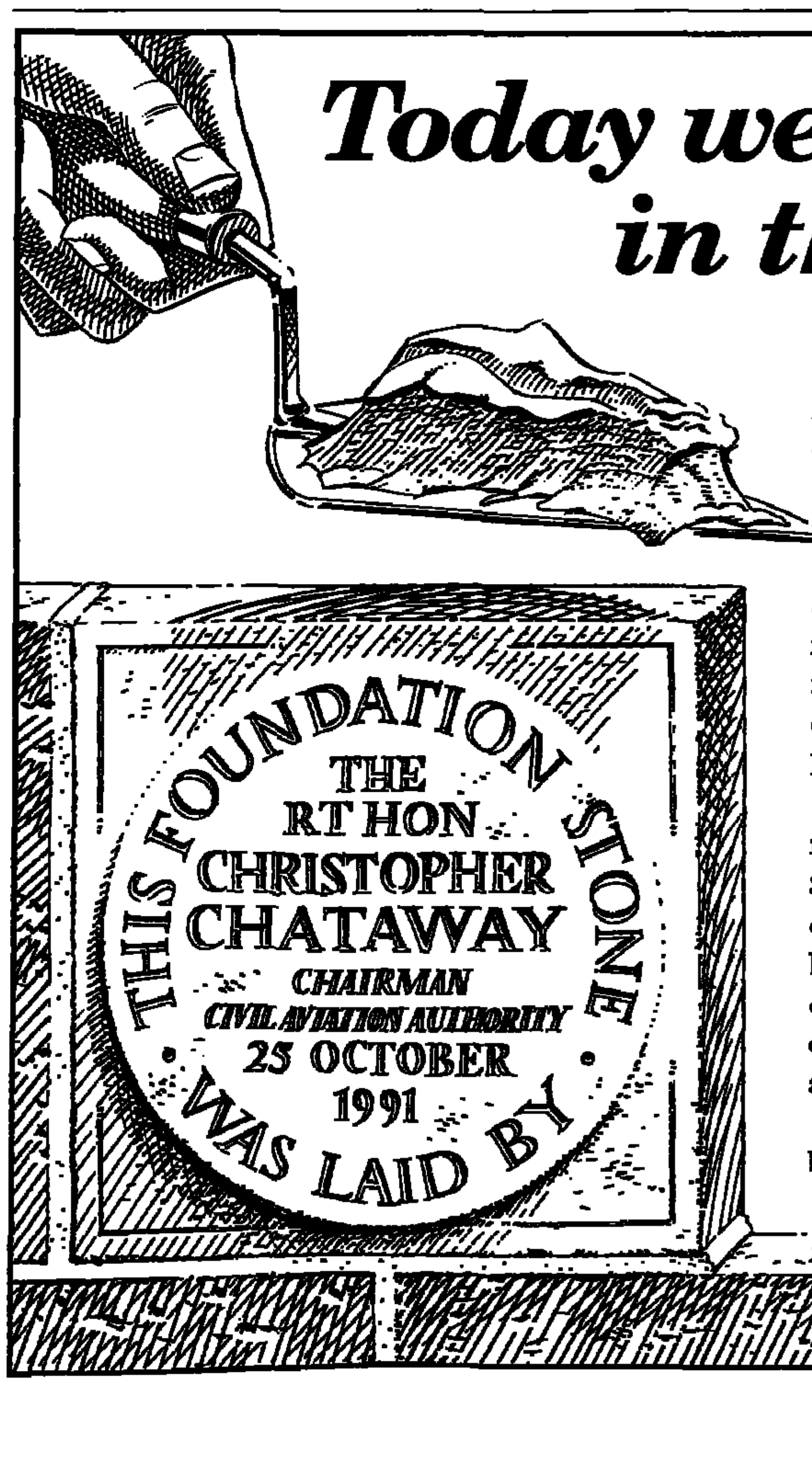

Today we reach a milestone in the history of flying

The Rt Hon. Christopher Chataway, Chairman of the Civil Aviation Authority, today lays the foundation stone of Britain's new air traffic control centre now being built near Fareham in Hampshire.

The ceremony marks another milestone in this £200m-plus project and in the development of the nation's air traffic system.

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Mobil North Sea Limited hereby give notice, in accordance with the provisions of Part 1 of Schedule 1 to the Pipe-lines Act 1962 and regulation 7(3) of the Electricity and Pipe-line Works (Assessment of Environmental Effects) Regulations 1990, that an application has been made to the Secretary of State for Energy for the grant of authorisation for construction of cross-country pipelines.

The proposed pipelines, which are to be for the conveyance of Natural Gas and Mon-Ethylene Glycol are to run between the Low Water Mark and Phillips Gas Terminal at Bacton.

The pipeline will be owned by Mobil North Sea Limited.

Copies of the map, on which the proposed route of the pipeline is delineated and which will run with limits of deviation of 200metres on either side, and the Environmental Statement (both of which accompanied the application) can be inspected during normal office hours in Room 3.M.1., Department of Energy, 1 Palace Street, London SW1E 5HE and at the offices of the following local authorities:

North Norfolk District, Holt Road, Cromer.
Norfolk County Council, County Hall, Norwich.

A free copy of the Environmental Statement may be obtained from Mobil North Sea Ltd, c/o Phillips Gas Terminal, Bacton, Norwich, Norfolk, NR12 OJG whilst stocks last.

Objections to this application should be made in writing, setting out the grounds of objection and bearing the reference PEP 75/06/4 and should be sent to the Secretary of State for Energy at 1 Palace Street, London SW1E 5HE (marked FAO Mr G B T Cobb: Pipelines Planning Group) to arrive not later than 22 November, 1991.

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EUROPEAN NEWS

Swedish banks say recovery two years off

By Robert Taylor in Stockholm

SWEDEN'S economy will not recover until 1993 at the earliest, according to two of the country's leading banks which forecast two years of negative, or at best zero, growth.

The new centre-right government is due to present a package of economic measures in a fortnight's time, but the gloomy prospects suggest Mrs Anne Wibble, the finance minister, has little room for manoeuvre. She will have severe difficulty in meeting promises made during the election campaign of tax cuts totalling SKr10-Skr15bn a year, faced as she is with a budget deficit which she estimates will climb from around SKr25bn (£2.4bn) this year to as much as SKr75bn in the 1992-1993 financial year.

Of the two banks, Savings Bank is forecasting a 1.9 per cent decline in gross national product this year, and 0.6 per cent in 1992; Skandinavian Enskilda Banken (SEB) predicts a 1.1 per cent fall this year and zero growth next year. Both banks have revised earlier estimates downwards.

There is similar pessimism on unemployment. Savings Bank suggests the jobless rate will rise from an average 2.8 per cent this year to 4.5 per cent in 1992; SEB estimates a rise from 3.3 per cent this year to 4.3 per cent. These would be the worst figures Sweden has seen since the early 1930s.

Both banks reckon the outlook gloomy for investment, too. SEB foresees a 15 per cent plunge in industrial investment this year and a further 10 per cent drop in 1992; Savings Bank believes overall investment will decline by 8 per cent and then 6.5 per cent.

The two prognoses suggest inflation will not be a problem over the next two years thanks to stagnant domestic demand. Consumer prices are likely to rise by 8 per cent this year but fall to 2.6 per cent in 1922, according to SEB; Savings Bank suggests 8.1 per cent this year and 3 per cent next.

The banks reach similar conclusions about the visible trade balance and the size of the balance of payments deficit. SEB predicts a SKr32bn positive trade balance this year and SKr29.0bn in 1992 while the Savings Bank estimates it will be SKr31bn and SKr30bn. The balance of payments deficit will climb from SKr25bn to SKr33bn over the period, according to SEB, and be around SKr30bn in both years in the Savings Bank's view.

Apathy the front-runner in Poland's free election

Anthony Robinson and Christopher Bobinski on why voters are unimpressed with first democratic poll

POLISH ELECTIONS

HALF of Poland's 28m voters are expected to stay at home this Sunday even though the country is holding its first free general elections since the 1930's.

A population highly politicised by a decade of martial law and united in its anti-communism during the 1980's is now confused by the proliferation of parties and deluded by the high social costs of Poland's painful transition to a market economy.

One sure result of the election will be to sweep away the communist party, which holds 65 per cent of the seats in the lower house guaranteed to it under the terms of the "round table agreement" with Solidarity, the anti-communist coalition, in April 1989.

That agreement was followed by the communist party's humiliating moral defeat in the subsequent June elections when Solidarity won all the "free" seats in the lower house and 99 per cent of all the freely-contested seats in the Senate.

Ironically the round table agreement gave Poland the first non-communist government in the former Soviet bloc but saddled it with a large communist group in parliament which delayed new elections to the point that Poland became the last post-communist country to vote freely. Even Albania held free elections before Poland.

The communist presence in parliament is less controversial however, than the continuing influence of the old communist *nomenklatura*, or elite. These former party bosses are widely believed to have used their political and commercial connections to accumulate ostentatious wealth.

A slew of financial and economic scandals linking old *nomenklatura* figures with the new private entrepreneurs has made high inflation, rising unemployment and social insecurity harder to bear for ordinary Poles.

The fact they now have the right to chose from over 100 political parties offers little compensation, if the opinion polls and street interviews are to be believed. In place of the old one party lists, or a united Solidarity opposition, voters now face a plethora of candidates and a complicated election law.

In its attempt to ensure democratic expression, the law virtually guarantees that the new 460 seat lower house of parliament will be filled by a collection of small parties. Any party which wins a minimum five per cent of the vote will be returned to parliament.

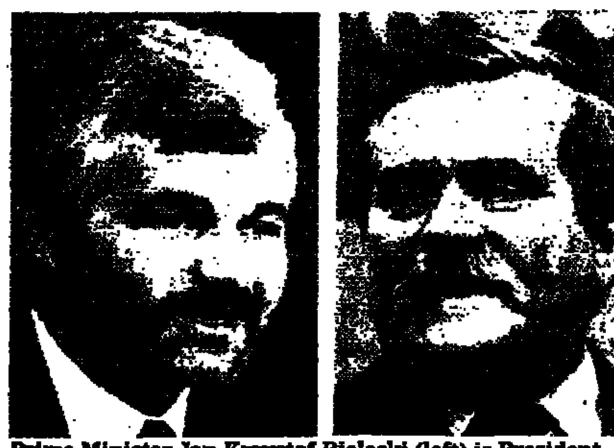
The eve of poll front-runners are the Democratic Union (UD), headed by Mr Tadeusz Mazowiecki, the first non-communist premier.

It has been projecting a caring image on social issues combined with a commitment to tough monetary policies. But even the UD will consider itself lucky if it gets close to 20 per cent of the vote on Sunday.

The Solidarity trade union, which is promising to do more for the ailing state sector could get as much as 10 per cent of the vote. This would be slightly more than the support the successor party to the communists can count on.

Only the combined farm vote, which is likely to be split between two groups, one with its roots in the Solidarity movement and the other in the communist past, might match support for the UD in parliament.

The other major parties such as the governing Liberal Democratic Congress or the Christian Democrat Centre Agreement will oscillate between 5 and 10 per cent.



Prime Minister Jan Krzystof Bielecki (left) is President Lech Walesa's favourite to lead a new government

Even the right wing Christian National Union, which has the support of some priests and bishops in a deeply Catholic country, is unlikely to do much better.

All this makes for a fractious parliament which would increase the temptation for President Lech Walesa, the charismatic former Solidarity leader, to use his already substantial powers in an increasingly autocratic manner.

A tired looking Mr Walesa appeared on state television on Wednesday night to reiterate his commitment to democracy, and warned of the need to struggle against communist influence. He canvassed the outgoing prime minister, Mr Jan Krzysztof Bielecki, as the best candidate for heading a new government.

Mr Bielecki, a liberal free marketeer from Gdansk, has headed the government since January after Mr Tadeusz Mazowiecki, who led the first Solidarity government, resigned after his defeat in the presidential elections. The prime minister has worked closely with Mr Leszek Balcerowicz, the finance minister, whose strict economic stabilisation policy won IMF approval but made him a target of much criticism at home.

By supporting the prime minister Mr Walesa appears to be signalling that Poland's economic policy should continue. These policies have restored faith in the zloty, ended decades of shortages, curbed hyper-inflation, liberalised imports and boosted hard currency exports.

However, they have also created a big gap between the new rich and those on fixed incomes.

They have also angered the country's farmers and led to rising unemployment without tackling the fundamental problem of what to do with nearly 400 loss-making state enterprises. Until now no large loss-making enterprise has been closed.

Meanwhile uncertainty caused by the lengthy election campaign has dampened the enthusiasm of foreign investors while falling tax revenues have pushed the budget into deficit. In consequence the IMF has suspended disbursement of its $1.6bn (£940m) three-year loan.

Talking to the IMF will be one of the first priorities that the new government, almost certainly a somewhat shaky coalition, will have to face after the electorate has made its choice.

Chemicals groups lose cartel appeal

By David Buchan in Brussels

THE European Community's Court of First Instance yesterday largely rejected appeals by three of 14 chemical companies against fines of some Ecu60m (£42.2m) by the Commission in 1986 for running a cartel fixing the price of polypropylene, a basic plastics product.

The court, whose judgment can only be appealed against to the European Court of Justice on points of law, ruled that two French companies, Atochem and Rhône-Poulenc, had to pay their fines of Ecu1.75m and Ecu500,000 respectively.

However, it halved the fine on Petrofina of Belgium to Ecu300,000 on the ground that it was the last company to join the cartel, one of the most extensive ever uncovered by Brussels "trust busters".

Still to come next year are rulings on appeals – argued on similar grounds – by 11 other companies, notably ICI of Britain, Montedison of Italy, Shell International Chemical of the Netherlands, and Hoechst of Germany.

The Commission accused these four of being the ringleaders of the cartel, and fined them a total of Ecu39m. A fifteenth company, Statoil of Norway, was fined Ecu1m for taking part in the cartel and paid up without appealing. The polypropylene cartel is the first big conspiracy case to go to appeal at the Court of First Instance since Brussels started to crack down in the mid-1980s on cartels with heavy fines. The court was set up a couple of years ago to deal with competition cases.

Many of the same chemical companies are also currently appealing against fines imposed for rigging the market in PVC and low-density polyethylene.

The Court of First Instance's advocate general had earlier proposed reducing the fines by 20-30 per cent, on the ground that the floor price agreed in 1977-78 was a different and distinct activity from the subsequent production-sharing arrangement.

Although it might have been against EC law, it had taken place too early for the Commission to penalise it in 1986, because of the five-year statute of limitations on such Commission action.

The court yesterday accepted the Commission's contention that the price and production rigging were all part of a single market conspiracy.

Ozal's party rules out Turkish coalition role

TURKEY'S outgoing prime minister, Mr Mesut Yilmaz, has ruled out joining the election winner, Mr Suleyman Demirel, in a centre-right coalition, declaring that his Motherland Party will lead the opposition, Reuter reports from Ankara.

"Definitely, we will be out of the coalition government," Mr Yilmaz told the left-leaning Cumhuriyet newspaper.

"It will be better for Motherland and Turkey to stay as an opposition party instead of a coalition partner in Demirel's new government," he said.

The Motherland Party, founded by President Turgut Ozal and in power for the past eight years, was pushed into second place in Sunday's general election by Mr Demirel's True Path Party.

Mr Demirel, who has been prime minister six times previously and was ousted twice by the military, has not disclosed his hand about possible coalition partners, but says he will consider all options.

Mr Yilmaz said he expected Mr Demirel to team up with the Social Democrat Populist Party leader Mr Erdal Inonu to achieve a governing majority.

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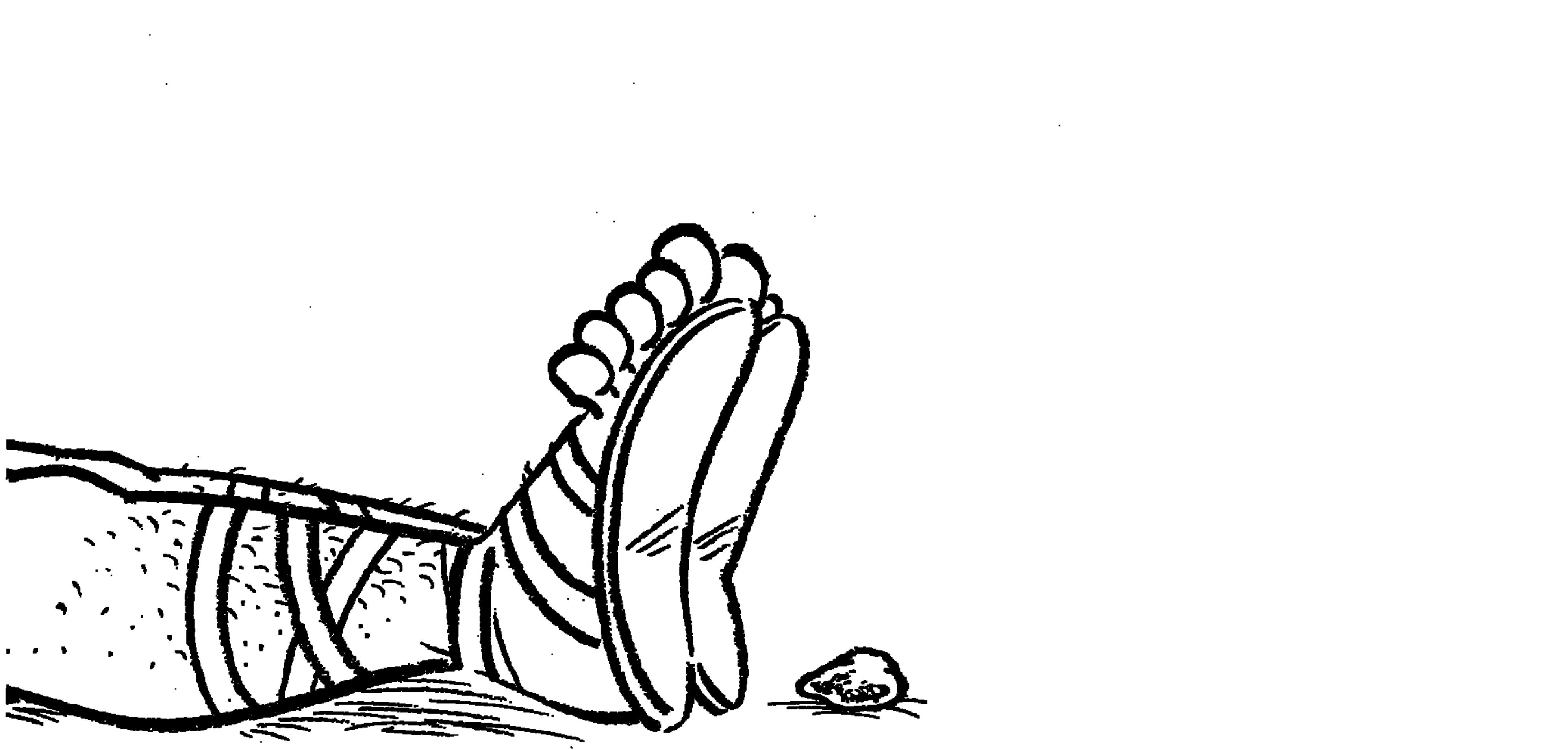

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Arabs set up group to plan united stance

By Victor Mallet, Middle East Correspondent

ARAB foreign ministers announced yesterday they would present a united front against Israel at the start of next week's Middle East peace conference in Madrid.

After meeting in Damascus they said they would press for an Israeli withdrawal from territories occupied in the 1967 war and demand the recognition of Palestinian rights.

Syria, Lebanon, Jordan, Egypt and the Palestine Liberation Organisation agreed on the establishment of a "co-ordination committee" to manage the negotiations with Israel. Mr Farouq al-Sharaa, the Syrian foreign minister, said the committee should ensure "a unified Arab stance".

Ministers from Saudi Arabia, representing the six-nation Gulf Co-operation Council, and Morocco, acting on behalf of north Africa, also attended.

"The main aims are to ensure Israeli withdrawal from all occupied Arab territory, including Jerusalem, to halt Israeli settlement immediately and to ensure the legitimate national rights of the Palestinian people," said a joint statement read out by Mr al-Sharaa.

The declaration may go some way towards allaying Palestinian fears Syria will sign a peace treaty with Israel in exchange for the Golan Heights and abandon the Palestinian cause.

Mr Yitzhak Shamir, the hardline Israeli prime minister, has rejected almost every Arab demand, but has left open the faint possibility of a compromise on the Golan.

It was not clear from the statement in Damascus whether other Arab governments would join Syria in demanding Israeli concessions on territory before joining proposed multilateral discussions with Israel on regional matters such as water and arms.

Many Arabs believe such talks would imply recognition of the Israeli state, undermining the widely accepted formula of "land for peace" and allowing Mr Shamir to win "peace for peace" while keeping Arab land.

Mr Yassir Abed Rabbo, a member of the PLO's executive committee who supports Palestinian participation in the peace conference, said there was an understanding that multilateral negotiations with Israel would be delayed until the Arab side knew what Israel was prepared to offer.

Palestinian support for Iraq during the Gulf war soured relations between the PLO and its Gulf paymasters, but the two sides have been pushed together by the advent of negotiations with their common enemy.

Israeli ambassador to the Soviet Union Arye Levin raises his country's flag at the Israeli embassy in Moscow yesterday. Links have been restored after a 24-year break

Moscow will help to legitimise Madrid peace talks

THE SOVIET Union, which with the US is co-sponsoring next week's Middle East peace conference in Madrid, will serve primarily to legitimise the meeting, according to international experts attending a Moscow seminar this week, Leyla Boulton reports from Moscow.

The seminar, which brought Arabs and Israelis together on Soviet soil for the first time, was billed as a mock peace conference. But it served as much as anything to address the question of what role this increasingly shaky-looking superpower will play.

While Arabs doubt Moscow will put pressure on the US to extract concessions from Israel, Mr Ziad Abu Amr, a Palestinian political scientist from Bir Zeit University, said Soviet delegates would be useful "arbiters and witnesses".

Some Israelis, and "moderate" Arab states such as Egypt point to "moderating" Soviet influence on Syria and the Palestinians, even though Moscow's weight is no longer what it used to be.

Others argue that part of the Soviet contribution will be to boost Arab confidence in the US-led peace process, even though the aftermath of the Gulf War has already softened Arab suspicions of the US.

"The Soviet presence provides a political balance in the way the conference is perceived by the Arabs," said Mr Samuel Lewis, a former US ambassador to Israel who helped organise the Camp David negotiations. "It enables them not to feel smothered by the US being the only mediator around."

Moscow's other "asset" is its role as a leading Middle East arms supplier.

Experts saw this as particularly important in the context of halting the Arab-Israeli arms race in the form of some overall settlement. Many indeed see a co-ordinated US-Soviet moratorium on arms supplies to Israel and its Arab neighbours as vital for promoting stability in the region.

Shamir strikes back in the propaganda war

Hugh Carnegy looks at the Israeli prime minister's tactics ahead of the Middle East peace conference

SOME prime ministers might hesitate, if only for the sake of appearances, to humiliate their foreign minister in public on the eve of a vital international conference, but not Israel's Mr Yitzhak Shamir.

His announcement on Wednesday night that he, not Mr David Levy, would lead Israel's delegation to next week's Middle East peace conference in Madrid was a venomous strike which immediately set the Israeli political snakepit hissing and spitting.

The domestic implications are undoubtedly important – and were no doubt weighed carefully in advance by Mr Shamir.

But the implications for the peace conference were the primary concern of the prime minister when he decided to go – contrary to statements from the US that delegations would be led by their foreign ministers.

One immediate beneficial effect, from the Israeli point of view, is the propaganda march it steals on the Arab side.

"His decision shows how serious he is about the peace process," said a spokesman. By the same token, the Israelis hope to show, the absence of Arab leaders, especially President Hafez al-Assad of Syria, suggests they are less than completely committed to the process.

Above all, however, Mr Shamir wants to stay in close control of the conduct of the conference and the subsequent substantive bilateral negotiations with Syria, Lebanon and a joint Jordanian-Palestinian delegation.

He evidently fears that the US, which he thinks is tilting towards the Arabs, is prepared to challenge his refusal to relinquish "one inch" of the occupied territories in exchange for peace. Mr Shamir's personal presence will make it abundantly clear from the start that Israel is not about to budge on this key issue.

For months it has been public knowledge that Mr Shamir distrusts the more moderate stance Mr Levy has adopted towards the process.

The premier's apparent intention to fill his delegation with hardline figures from both his own Likud party and parties to the right, including representatives of the Jewish settlers in the occupied territories, symbolises his determination not to bend.

More substantive is his choice of two of his closest aides – Mr Yossi Ben-Aharon, the uncompromising head of the prime minister's office, and Mr Eliakim Rubinstein, the cabinet secretary – to head the negotiating teams with, respectively, the Syrians and the Palestinians.

> Mr Shamir's personal presence will make it abundantly clear from the start that Israel is not about to budge on the key issue of the occupied territories

Coming to Madrid with such delegates around him is also a response to what Mr Shamir sees as the intrusion of the Palestine Liberation Organisation into the process.

He will not hesitate to turn on his heel and lead the Israeli team out of the conference hall if members of the Palestinian delegation transgress his condition that they not declare themselves representatives of the PLO.

In Israel yesterday, these considerations were often obscured by debate over the internal implications of Mr Shamir's move. It is hard to interpret it as anything but a stiffening of his already strong position – which in turn sends a signal to the Arabs and the US.

Mr Levy is a leading aspirant to succeed Mr Shamir at the head of the Likud but has now been weakened. Other candidates, such as Mr Ariel Sharon and Mr Binyamin Begin, adopt as tough a position as Mr Shamir's, or an even tougher one.

Mr Shamir would lose his governmental majority in parliament if three right-wing factions in the coalition opposed to the peace process quit the cabinet.

But two of the three have decided to stay in for the time being, and their commitment to do so has been stiffened by Mr Shamir's decision to go to Madrid.

Even if Mr Shamir loses his majority, the opposition Labour party has promised to support him at the head of a minority government so long as the peace process continues. Labour, the party that advocates peace, is far from thrilled to find itself the bridesmaid as it was during the Camp David negotiations with Egypt in the late 1970s.

But it cannot afford to do otherwise. "If we topple Shamir during the peace process, we will be the losers," says Mr Yossi Beilin, an MP and close adviser of Mr Shimon Peres, the Labour leader.

Should the negotiations collapse before the general election due in November next year, Labour would hope to win public support by attacking Likud for losing a golden opportunity to make peace. But opinion polls show it would be an uphill task.

Mr Hanoch Smith of the Smith Research centre, a polling organisation, says his organisation's findings in late August showing Likud nine points ahead of Labour are unlikely to have changed since then.

The poll confirmed a recent trend of a widening gap between the left and right, with Likud and other right-wing factions polling 44 per cent support to 36 per cent for Labour and parties of the left.

Mr Shamir's deeply cautious approach to the peace negotiations reflects the public's attitude, says Mr Smith, and bolsters his popularity.

Hong Kong governor ignores pro-democracy poll victors

By Angus Foster in Hong Kong

HONG KONG'S governor, Sir David Wilson, has ignored the United Democrats of Hong Kong and other pro-democracy groups who swept to victory in last month's elections by not appointing any of them to the Executive Council, his key policy making body.

Sir David Wilson: snub

The Democrats and allied parties won 15 of 18 seats on offer in the September polls to the legislative council. That result was also largely disregarded when the authorities last month appointed a further 17 nominees to the 60-seat council.

The latest appointments were immediately attacked by Mr Martin Lee, Democrat chairman, who said the government's credibility was now at stake. "These appointments show a lack of respect and a cynicism for the democratic process and the people of Hong Kong," Mr Lee said.

The government was also criticised for trying to sideline the Democrats and play down the significance of Hong Kong's planned gradual move towards democracy. Some analysts worry the government's strategy will only make the Democrats more radical.

The government claims it can not appoint Democrats unless they agreed to rules on confidentiality and collective responsibility, as with cabinet systems in the west.

But the Democrats will not accept these rules because it would compromise their role as directly elected representatives of Hong Kong people.

They argue Hong Kong does not operate a cabinet system because the colonial administration is not an elected ruling party. "If I accepted appointment on the government's terms, I would have to resign within a day," Mr Lee said.

The appointments have left the executive council dominated by business and conservative interests. Baroness Dunn, a director of Swire Pacific, and Mr William Purves, chairman of Hongkong and Shanghai Banking Corporation, were both reappointed.

Sir David said he wanted to strengthen links between the executive and lawmaking councils. But only one of the 10 appointments yesterday went to a directly-elected lawmaker. Eight were unelected and one was indirectly elected to represent architects. Five further seats on the council are reserved for senior government figures and the commander of British forces.

The single directly elected appointment, Mr Andrew Wong, favours further electoral reform but ran as an independent.

India's IMF credit may be restructured

By K.K. Sharma in New Delhi

MR Michel Camdessus, managing director of the International Monetary Fund, has indicated that the Fund would consider sympathetically India's request for a longer-term loan than its present $2.2bn (£1.29bn) standby credit after a meeting yesterday with Dr Manmohan Singh, the country's finance minister.

India has been seeking conversion of the standby credit into a loan from the IMF's extended fund facility.

The facility can grant as much as $7bn over a three-year period. This would help India cope with its balance of payments problems while initiating reforms to restructure the economy over the period.

India expects to receive $2bn to $3bn annually from an extended fund facility. So far, of the $2.2bn sanctioned as a standby loan, the first instalment of $800m is expected to be released by its executive board on October 31.

India's request for a longer-term loan is expected to be taken up by the board on the same day.

Zaire troops in new clash with protesters

By Julian Ozanne in Nairobi

ZAIRE'S political and economic crisis plunged back into violence yesterday as pro-democracy demonstrators clashed with troops loyal to President Mobutu Sese Seko on the streets of the capital Kinshasa.

Protesters furious at the president's dismissal of Mr Etienne Tshisekedi, the opposition leader he installed as prime minister four weeks ago, burned buses and erected barricades. Elite troops of the Israeli-trained Special Presidential Division patrolled the capital in jeeps and armoured personnel carriers and shot bursts of machine gun fire into the air.

Expectations of both political change and a crash programme of economic reform, which were raised by Mr Mobutu's appointment of an opposition-led crisis government after riots and looting last month, were crushed by his sacking of Mr Tshisekedi on Monday. That sparked riots the same day in the mining town of Lubumbashi, the provincial capital of copper- and cobalt-rich Shaba (formerly Katanga).

Médecins sans Frontières, an international medical charity, said yesterday 17 people were killed in the Lubumbashi riots and 120 were wounded. Incidents of rioting and looting have also been reported in the last three days in Kisangani and Tshikapa.

Last month's rioting, which began with mutinous soldiers, left 250 dead and the capital wrecked. It stemmed from frustration over poor pay in the army combined with discontent at the oppressive 26-year rule of Mr Mobutu which has left the potentially wealthy economy bankrupt.

Mr Mobutu has displayed a ruthless contempt for popular aspirations.

His appointment on Wednesday of Mr Mungul Diaka, a lesser-known opposition figure, to replace Mr Tshisekedi is being seen as yet another in a long string of manoeuvres to stay in office.

Pakistani PM offers olive branch to India

PAKISTAN yesterday struck a conciliatory note towards India when Mr Nawaz Sharif, Pakistani prime minister, called for a settlement of "all outstanding disputes" between the two countries, David Housego writes from Islamabad.

In a departure from Pakistan's recent diplomatic offensive against India over Kashmir, Mr Sharif said: "The message I wish to send to India is that all outstanding issues must be resolved."

He told Pakistani reporters after his first meeting with Mr P. V. Narasimha Rao, the Indian prime minister, that the two would establish a telephone hot-line and exchange personal envoys as part of a new system of avoiding crises in their relationship.

Mr Sharif's change of language reflects his own concern, as a former industrialist, to concentrate on economic development and reduce defence spending.

Afghan rebels to attend peace talks in Moscow

GUERRILLA groups from Afghanistan are to send a broadly-based delegation to Moscow for negotiations aimed at ending the Afghan conflict, David Housego writes.

Pakistani officials disclosed this at the end of a day in which the Mujahideen rebels came under strong pressure from both Mr Nawaz Sharif, the Pakistani prime minister, and Prince Turki al-Faisal, the head of Saudi Arabian intelligence, to support United Nations-backed peace moves.

Hopes of an end to the Afghan conflict rose earlier this week with strong indications by Mr Javier Pérez de Cuéllar, the UN secretary general, that President Najibullah, head of state of the until now Soviet-backed Afghan regime, was willing to step down.

The Mujahideen have always said they would not participate in any interim government in Kabul that included Mr Najibullah.

Indonesia's economic take-off subject to delay

New political willingness to postpone sensitive industrial projects welcomed, writes **Clare Bolderson**

THE Indonesian government's recent decision to postpone four big energy and petrochemicals projects worth just under $10bn has sent a ripple of relief through much of Jakarta's business and financial community.

It is the first real indication that the government is prepared to act to ease mounting pressures on Indonesia's overstretched economy and, more importantly, that it is prepared to override political sensitivities in so doing.

Many countries envy Indonesia's economic success. GDP growth rates of more than seven per cent in 1989 and 1990 and projected growth of around six per cent this year are impressive, as are the increasing levels of domestic and foreign investment over the past three years.

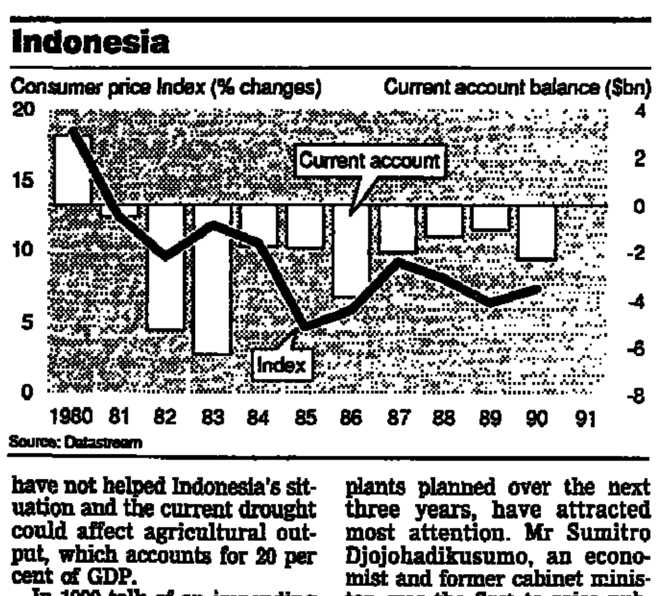
An abundance of natural resources and a huge labour force provide a good basis for the future and, as Mr Hartojo Wignjowijoto, an economist says: "in the medium to long term, Indonesia still has lots and lots of positives". But the short term, he admits, is more worrying.

Indonesia earned a reputation as a model developing country in the mid-1980s when, largely on the advice of the World Bank, it implemented radical economic changes which reduced barriers to foreign and domestic private investment and shifted the economy away from its dependence on oil and gas. The result was a more diversified export base and a greatly enhanced private sector.

But Indonesia now faces some serious problems. A slowdown in the growth of non-oil exports hit the country as its appetite for imports and foreign loans started to peak in 1990.

The current account deficit of $3.7bn in 1990/91 is expected to widen to around $6bn this fiscal year. Indonesia's $60bn foreign debt is one of the biggest in the developing world and the World Bank's annual report warns that sustained growth would require "continued high levels of financial support from the donor community".

A chronically weak infrastructure is restricting growth and inflation in 1991 may match last year's official rate of nearly 10 per cent, despite the government's tight money policy.



Source: Datastream

Depressed commodity prices have not helped Indonesia's situation and the current drought could affect agricultural output, which accounts for 20 per cent of GDP.

In 1990 talk of an impending "economic take-off" was frequently splashed across the Indonesian press. This year it has all but disappeared and in its place has come the realisation that strict discipline is needed to get things back on track.

As the strains have become more obvious, an estimated $80bn worth of "mega projects", most of them infrastructure-related and petrochemical plants planned over the next three years, have attracted most attention. Mr Sumitro Djojohadikusumo, an economist and former cabinet minister, was the first to raise publicly concerns about the amount of foreign borrowing needed to finance such projects when he called in July for the freezing of all but "unavoidable" investments.

"Only projects for the improvement of electricity and telecommunication facilities and transportation infrastructure should be categorised as unavoidable" Mr Sumitro said.

His sentiments were echoed by others but many though the call would go unheeded because many projects involved businessmen close to President Suharto's family.

Last week's announcement that the Foreign Commercial Debt Team, established in early September to approve all offshore financing for government related projects, had set a ceiling of $5.9bn on foreign commercial borrowing for 1991-92 and had postponed four big investment projects has provided some reassurance. Three of the postponed projects involved leading businessmen close to President Suharto's family, while the President's youngest son had connections with the fourth.

The shelving of the projects and the planned ceiling on foreign commercial borrowing are only a first step and implementing the policy in a country with no restrictions on capital or foreign exchange flows is not expected to be easy.

"Fine-tuning" is, however, a word regularly spoken by government ministers and the actions so far have been widely welcomed. Now economists are urging the government to go further.

They say taxes must be increased and tax collection, which is currently almost non-existent, must be enhanced, while the newly liberalised financial sector must have regulatory and supervisory systems built into it. They also call for greater efforts to bring down inflation.

The government has to find jobs for some two million people each year, to overcome severe shortages of electricity in its industrial heartland of Java and to address the problems of a telecommunications system on the verge of collapse. It also has to ensure a more even distribution of wealth, particularly to the undeveloped eastern regions of the country.

All this comes as Indonesia prepares for a general election next June, a largely cosmetic exercise in which the outcome is a foregone conclusion but which nevertheless is the focus of much campaigning and political fanfare.

However, one western economist sums up current sentiment. Indonesia must continue to tighten its belt if it wants to get back on the road to take-off and "being hampered by the election is a luxury the country can not afford" he says.

UK proposal on debt relief gets support

By Stephen Fidler

BRITISH proposals to extend significantly the foreign debt relief granted to some of the world's poorest countries received widespread support at a meeting this week in Paris, UK officials said yesterday.

But they conceded there was no sign of movement from the US towards acceptance of the proposals, known as the Trinidad Terms.

The US is blocking a consensus among the Paris Club of creditor governments over implementation of the proposals. Britain has said it intends to implement its idea unilaterally if the usual consensus is not reached.

The Trinidad Terms, put forward last year by Mr John Major when he was Chancellor of the Exchequer, would cancel two-thirds of the debt of those very poor countries which have a current economic programme approved by the International Monetary Fund.

The officials said that support had been expressed in Paris for the Trinidad Terms, or similar proposals, from a number of countries, including France, Sweden and Switzerland.

A further meeting of the Paris Club would take place to decide on the issue in November.

One proposal now being discussed is to include the Trinidad Terms as one option in the current "menu" of options currently available to poor countries.

This menu – know collectively as the Toronto Terms – allows for a write-off of capital, forgiveness of interest or an extension of maturities. Unlike the Trinidad Terms, the Toronto Terms require a debtor country to come back every year to request extension of debt relief.

Although the US sponsored proposals to write off half the debt owed by Poland and Egypt to creditor governments, Washington says that budgetary and legal reasons prevent it from implementing the Trinidad Terms.

Unlike in Britain, any write-off of export credits leads to a direct cost in that year to the budget.

Although the US accepted at the London summit in July that significant further debt relief should be granted the poorest countries, it has yet to act on this.

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AMERICAN NEWS

Castro fails to clinch deal in Mexico

By Damian Fraser in Mexico City

FIDEL CASTRO, Cuba's president, appears to have walked away empty handed from his surprise meeting on Wednesday with the presidents of Mexico, Venezuela and Colombia. The three presidents, however, promised to help Cuba normalise relations with the US.

President Carlos Salinas de Gortari of Mexico said: "I reiterate that there can be no special relationship for Cuba over oil, not with Mexico nor with Venezuela." In a similar vein, President Carlos Andres Perez of Venezuela said there was no question of admitting another country into the San José Pact, an agreement in which Mexico and Venezuela sell oil on favourable terms to Central America and parts of the Caribbean.

Fidel Castro said "the word oil was not mentioned" in the talks. However he admitted: "The problem of fuel (for Cuba) was the most difficult without doubt... and that the market price of sugar is so low that Cuba is still unable too pay for its oil needs."

Cuba's trade agreement with the Soviet Union, in which Soviet oil is swapped for overpriced Cuban sugar, is due to expire at the end of this year.

The Group of Three, as Mexico, Venezuela, and Colombia like to be known, instead offered Cuba and the US "their good office" to help normalise relations.

In Washington, US administration officials indicated yesterday that until there was evidence of action by Cuba towards free elections and a democratic government, there would be little to discuss.

The three presidents said they supported the complete integration of Cuba into Latin America, promised to help the country's economic development, and broadly approved of the (modest) reforms made at Cuba's party Congress earlier this month.

Cuba seems to have promised to sign Latin America's nuclear non-proliferation treaty, and to back peace talks in Central America.

Sharp fall in US durable goods orders

By George Graham in Washington

US DURABLE goods orders fell sharply last month, reviving hopes of lower interest rates and contributing to a rise in the bond market.

New orders for manufactured durable goods fell by $4bn (£2.3bn) or 3.2 per cent to $121.5bn in September, the second monthly decline in succession, the Commerce Department said yesterday.

However the drop reflected mostly a sharp fall in orders for defence equipment, which nearly halved to $5.5bn. These orders, which had risen in the two previous months, are seen as volatile, particularly in the last month of a fiscal year.

In the US Treasury bond market, the benchmark 30-year bond was up by as much as ½ in late New York trading, yielding 8.018 per cent.

While economists were reluctant to view the weak durable goods orders as firm evidence that the recovery was running out of steam, the statistics contributed to an increasingly gloomy picture of the economy.

They followed reports of slow business in Wednesday's Beige Book assessment of regional economic trends by the Federal Reserve, and were reinforced by a sharp jump in unemployment claims in the week ending October 12.

The economy's sluggish recovery from this spring's recession has eroded support for President George Bush.

Administration officials appear divided over whether to support a "growth package" based on a capital gains tax cut, as proposed by conservative Republicans led by Senator Phil Gramm. The Democrats, meanwhile, have put forward various tax-cutting programmes aimed more at middle-income families.

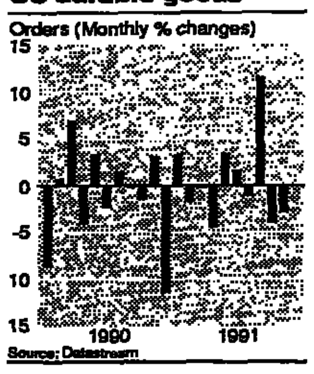
Yesterday's durable goods statistics showed shipments had risen by 0.7 per cent to $125.3bn, the highest level since October 1990. This rise, together with the drop in new orders, reduced unfilled durable goods orders by 0.8 per cent to $497.9bn.

New orders for transport equipment fell by 13.9 per cent to $29.5bn, with large decreases in orders for aircraft, ships and tanks more than offset by an increase in vehicles and parts.

Editorial comment, Page 22; Currencies, Page 38

US durable goods

Orders (Monthly % changes)



Source: Datastream

Vote on Brazil government

By Christina Lamb in Rio de Janeiro

THE Brazilian Senate has voted overwhelmingly to bring forward to next April a plebiscite on the country's future system of government.

Brazilians were due to vote in September 1993 on whether to continue the present presidential government or to change to a more Westminster-style parliamentary system or even a monarchy. However, the vote will be brought forward if Wednesday night's Senate vote is upheld by the Congress.

Political parties are split over the issue. Some analysts say a parliamentary system would be a disaster in Brazil because of the large number of political parties. However President Fernando Collor de Mello backs this system.

Disappointed campaigners want to kill bill outright

Compromise angers bank reform lobby

By George Graham in Washington

CONGRESSIONAL leaders have reached a compromise over legislation to reform the US banking system, but supporters of comprehensive bank reform are so disappointed with the agreement they are now trying to kill the bill outright.

Congressmen John Dingell and Henry Gonzalez, chairmen of two of the key committees which have been working on the bank reform bill, agreed yesterday on a version that would repeal the Glass-Steagall Act which separates commercial and investment banking, and so allow banks into the securities business. The agreed reform bill would, however, create tough "firewalls" between the two activities.

But big bank associations and the US Treasury fear that the reform would be worse than the current situation and are now lobbying for a much narrower banking bill. The latter would deal only with the reform of the US deposit insurance system and meet the urgent need for more money in the US bank insurance fund which guarantees deposits.

The Treasury has already said that it would "rather have no Glass-Steagall repeal than bad Glass-Steagall repeal" and has threatened to block the entire bill if necessary.

The need to recapitalise the bank insurance fund by authorising it to borrow up to $70bn more has been the locomotive pulling the bank reform legislation through Congress.

The Federal Deposit Insurance Corporation, the agency which manages the fund, said this week that it had raised its forecast of the number of likely bank failures which would require it to pay out to depositors, and was therefore running out of money fast.

FDIC now expects 137 banks to fail this year and 200 in 1992, leaving the fund with a balance of $2.6bn at the end of this year and a shortfall of $9.6bn at the end of 1992. By 1993 it expects the shortfall to have worsened to $18.3bn.

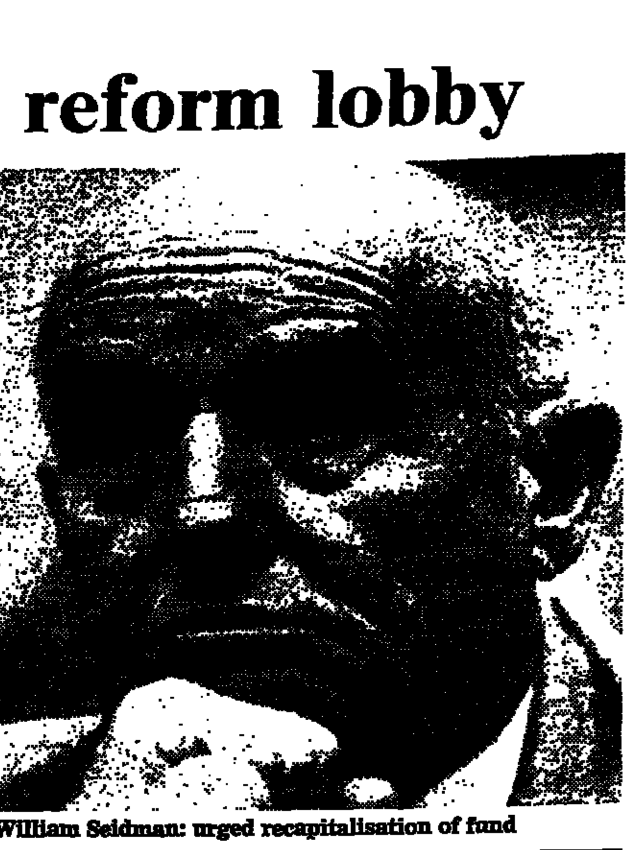
On a more pessimistic view of the banking industry, FDIC says as many as 239 banks could fail next year, leaving the insurance fund with a deficit of $14.1bn at year end and $39.9bn in 1993.

Mr William Seidman, in a farewell letter before leaving the chairmanship of the FDIC, last week urged Congress to vote the recapitalisation of the insurance fund before the current legislative session ends.

The future of the controversial banking legislation was in doubt yesterday, as Mr Thomas Foley, House Speaker, met with bank executives, and rival congressional factions argued out their differences.

The Gonzalez-Dingell agreement would maintain a ban on industrial or commercial companies owning banks.

Some congressmen said yesterday, however, that the two chairmen might not be able to win their respective committees over to the compromise proposal.



William Seidman: urged recapitalisation of fund

Ex-White House aide's Saudi link attacked

By Alan Friedman in Washington

SENIOR members of Congress investigating the Bank of Credit and Commerce International (BCCI) yesterday sharply criticised a former top White House official for accepting $600,000 to represent Sheikh Kamal Adham, the former head of Saudi Arabian intelligence and a key figure in the BCCI affair.

Mr Edward Rogers Jr, the former White House political director who served as personal deputy to Mr John Sununu, President George Bush's chief of staff, travelled to Saudi Arabia three weeks after leaving the White House in August to sign a contract to represent Sheikh Adham. Sheikh Adham is a key BCCI shareholder and is under investigation by a federal grand jury for his alleged role in the BCCI affair.

Last July, the Federal Reserve Board identified Sheikh Adham as one of BCCI's front men in the secret purchase by BCCI of First American Bankshares, the Washington bank, which was completed in 1982. The Federal Reserve is also seeking to ban Sheikh Adham permanently from any future US banking activity.

Senator John Kerry, the Massachusetts Democrat conducting the BCCI hearings this week, yesterday said Mr Rogers' contract "casts a cloak of suspicion and causes the average American to wonder what the hell is going on in the nation's capital."

Mr Charles Schumer, a New York Congressman who is also investigating BCCI, called upon President Bush to launch an inquiry into Mr Rogers' contract, which involves a role in Sheikh Adham's legal and business affairs in the US.

In a letter to President Bush, Mr Schumer wrote: "Clearly, the representation of a foreign national with past ties to the Middle East intelligence community who is now at the centre of a wide-ranging federal grand jury investigation by the former principal deputy to the White House chief of staff raises more than an eyebrow."

Mr Marlin Fitzwater, the White House spokesman, declined to comment on the matter, but the White House issued a statement from Mr Sununu insisting that he never discussed BCCI or Sheikh Adham with Mr Rogers. The statement also said the White House had not attempted to influence any BCCI investigations.

Sheikh Adham is one of the more mysterious figures in the BCCI affair. On Wednesday Mr Bert Lance, the former Carter Administration official, who had close ties to top executives at BCCI, disclosed that Sheikh Adham had played a behind-the-scenes role in soothing Arab peers about the 1977 Camp David agreements between Israel and Egypt.

Yesterday, Mr Clark Clifford, former head of the president's foreign intelligence advisory panel and chairman of First American Bankshares, said he "may" have received information vouching for Sheikh Adham in the late 1970s from US intelligence.

Under questioning from Senator Kerry, Mr Clifford, who also served as a lawyer to BCCI, said of the information on Sheikh Adham: "I cannot recall where it came from. I have many many conversations with individuals. I have some background in the intelligence field and it may have come from them."

Mr Clifford was placed on the defensive yesterday, as he tried to explain the circumstances under which he borrowed millions of dollars from BCCI to buy shares in the holding company that controlled First American Bankshares.

He denied any wrongdoing over the loans, for which he did not have to offer any collateral. He was told from the outset in 1986 that BCCI would have investors available to repurchase the shares.

Price Waterhouse, the sole auditor of BCCI from 1987, was sharply criticised during yesterday's hearings. Senator Kerry said: "Throughout this process it appears that Price Waterhouse gets failing grades. There is a pattern here of Price Waterhouse being negligent to the nth degree. A lot of what happened in the BCCI affair is based on Price Waterhouse information that was way off base."

Mr Robert Altman, Mr Clifford's law partner and the former president of First American Bankshares, said: "It raises serious questions that Price Waterhouse certified BCCI statements year after year and now it turns out they were woefully erroneous."

Mr Altman said that, among the US officials who in 1978 encouraged him and Mr Clifford to go ahead with the purchase of First American Bankshares on behalf of Sheikh Adham and other Middle East investors, was Mr Arthur Burns, former Fed chairman.

WORLD TRADE NEWS

Gearmakers in US seek imports inquiry

By Andrew Baxter

THE American Gear Manufacturers Association (AGMA) is to seek an investigation of the impact of imports on national security.

This follows a sharp rise in European imports over the past decade when US gearmakers failed to invest sufficiently in research and development in the wake of the recession of the early 1980s, which damaged the US industry.

The move has been given fresh impetus by the Gulf War, which, says the AGMA, demonstrated the importance of the gear industry. The dispute is being watched by other manufacturers, such as machine tool makers, whose products have defence implications.

Last week the AGMA filed a petition to the Commerce Department under the little-used Section 232 of the Trade Expansion Act of 1962. This applies when imports are claimed to be harming an industry with significant national security implications.

The filing has come four months later than expected. The AGMA attributes this to the need to collate its sources of information. European observers say the delay also reflects differences of opinion within the US gear industry.

The AGMA's approach has emerged as less confrontational than some European producers had feared. Rather than seeking import quotas or voluntary restraint agreements, appeals for which might have fallen on deaf ears in Washington, the association wants "a stronger partnership with government... to assure the ability of the nation to respond to emerging threat scenarios." It also wants an enhanced "Buy American" policy for gears used in defence.

The European gear industry, led by Eurotrans, an umbrella body for national trade associations, does not oppose increased support from the US for R&D by its gearmakers, but the Buy American policy is more contentious.

If the Commerce Department accepts the petition and undertakes an investigation, it would then make recommendations to President Bush.

Cautious optimism for trade talks breakthrough

By William Dullforce in Geneva

TRADE officials are "relatively optimistic but by no means euphoric" about the prospect of completing the Uruguay Round of world trade talks in the next four months.

The political breakthroughs could take place in November, which Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, has designated the make-or-break month for the five-year-old talks. To achieve this, negotiators will have to accelerate work in some crucial areas and governments will have to stop holding back their final cards.

The seven negotiating groups, among whom work is divided, have been told to complete their work by November 1. In the following week Mr Dunkel and the chairmen of the groups will review results and determine whether it will be possible to present final agreements. Officials yesterday gave the following assessment of the state of negotiations:

● In agriculture, the issue which led to breakdown of talks among world trade ministers in Brussels last December, the key countries, particularly the European Community and the US, are at last "talking seriously" about how to cut farm subsidies. So far discussions at the political level have taken place outside Geneva. Negotiators in Gatt continued work on the technical details last week and will resume next Tuesday. "We have to wait and see at which point the political and technical discussions will intersect," a trade official said.

● In talks on market access – where the objective is to cut tariffs by a third – some bilateral deals have been struck but have been made conditional on a satisfactory outcome in other areas, such as agriculture. Work on the US proposal for zero-for-zero reductions, under which countries would abolish customs duties for trade between them in given products, is well advanced in steel, pharmaceuticals, medical and construction equipment. Other products for which zero-for-zero deals are being discussed are fish, chemicals, non-ferrous metals, electronics, wood, paper and beer.

● In textiles and clothing, the text of an agreement to eliminate over 10 years the Multi-Fibre Arrangement which now governs the trade is almost ready. Only political constraints and the desire to see results in other areas are holding up the deal.

● The group handling reform of Gatt rules is still in great difficulty over anti-dumping rules and subsidies. The group has split into small working parties to try to break deadlocks. Texts of agreements on rules of origin, pre-shipment inspection and import licensing need "only cleaning up".

● On intellectual property rights, negotiators have made less progress in the last six days than expected, partly because the big trading groups, the US, EC, Japan and Canada, have been trying to resolve the differences between them separately. Problems remain over the ways in which patents should be granted, geographical appellations, the transitional arrangements under which new obligations would be phased in and how disputes over rights should be settled.

Dunkel: November is make-or-break month

● In revising Gatt's dispute settlement mechanism only a few issues remain to be settled. Agreement is within reach on how to speed up the work of dispute panels, on automatic acceptance of rulings, on an appeals body and on how to discipline countries that do not implement Gatt rulings.

● Officials report heartening progress on putting together a new General Agreement on Trade in Services (Gats). Differences over how to formulate vital clauses on the most-favoured-nation (MFN) principle, national treatment and market access in the framework agreement have been substantially narrowed. The US maintained its opposition this week to extending the MFN principle to shipping. Agreement on financial services is still balked over some countries' desire for a dual track approach that would allow them to liberalise faster than others, over how to handle bank supervision and over dispute settlement procedures.

A new text on telecommunications intended to reconcile the interest of regulators and users of basic services is being presented today. The EC's demand for an exemption for audiovisual services is still blocked. A new text has been drafted on labour mobility covering rules under which workers and managers may be allowed temporary entry to a country to work on projects.

South Koreans forge Soviet far east links

By John Ridding in Seoul

SOUTH Korean business groups are opening branch offices in the far eastern Soviet Union in an attempt to win a share of development projects.

The new offices will add to growing economic links between the two countries which have seen trade increase from $568m (£332m) for the first nine months of 1990 to $706m for the same period this year. South Korea recorded a deficit of $130m in 1991 compared with a surplus of $63m the year before. Trade has been based on the exchange of Soviet raw materials for Korean consumer products.

Samsung Group, the largest of the *chaebol* – the diversified conglomerates which dominate the Korean economy – said it was planning to open a branch in Khabarovsk.

"As the regional republics increase their influence we want to be ready for future business opportunities," the company said. Samsung, which already has a branch in Moscow, forecasts its trade with the Soviet Union will reach $360m this year.

Hyundai Group, which is already exporting timber from Svetlaya under a contract concluded last year, is planning to open a branch in Vladivostok. It is also nearing conclusion of a contract to develop gas and oil fields in the Yakut republic.

Lucky Goldstar, the third largest Korean business group is considering opening branches in the republics of Uzbekistan, Kazakhstan and the Ukraine, while Daewoo Group is expanding operations at its branch in Khabarovsk.

According to Daewoo, trade with the Soviet far east has so far been conducted on a barter basis because of the lack of hard currency. He said the expansion of Korean groups in the region had been stimulated by the establishment of offices there by big Japanese trading companies.

Vehicle dispute drives a wedge through Nafta talks

Bernard Simon looks at the controversy surrounding the carve-up of the North American car market

NORTH America's huge trade in cars, trucks and automotive parts is emerging as one of the most complicated and contentious issues in talks to create a continent-wide free trade area.

Not only does each of the governments involved in the negotiations – the US, Canada and Mexico – have its own priorities, but various interest groups have divergent expectations from free trade. Furthermore, there is a powerful outside factor in the shape of the Japanese motor industry, which has investments in all three countries.

One of the few points of agreement is that Mexico has most to gain and Canada most to lose from the negotiations.

For Mexico, with its growing consumer market and low labour costs, there is the prospect of new investment if the curbs on local content, import-export balances and foreign ownership are eased.

Conversely, Canada, whose mostly small plants export the bulk of their output to the US, faces a contracting industry unless it can persuade manufacturers to stay.

Japanese carmakers and Korea's Hyundai complain that the incentives which encouraged them to set up in Canada during the 1980s are being phased out under the 1989 US-Canada free trade agreement.

The point of reference for the trilateral negotiations is the 1965 Automotive Products Trade Agreement (Autopact) which integrated vehicle and parts production in the US and Canada.

The Autopact is not a free trade agreement. It requires a 50 per cent North American content for duty-free entry into the two countries.

Only Autopact members – the Detroit Big Three and a Canadian joint venture between General Motors and Suzuki – can import parts duty-free from third countries. Manufacturers must also agree to increase value added in Canada by at least 60 per cent of the growth in their Canadian sales.

The 1989 free trade agreement tightened the Autopact's local content definition. But the basic framework of the Autopact remains intact. The challenge for the Nafta negotiators is to broaden its safeguards to recognise the peculiar circumstances of Mexico.

The three North American car manufacturers made it clear in a policy paper issued last month that their main concern is the threat from low-cost plants across the Rio Grande. GM, Ford and Chrysler warned "...that a Nafta agreement cannot allow Mexico to establish itself as a platform for major new automotive capacity from third-country producers for export to the US".

They urged that separate rules should apply to existing manufacturers and to newcomers who have not had to pay the costs (such as high local content) required up to now to enter the Mexican market.

They suggest that the five carmakers with Mexican plants (the Big Three plus Volkswagen and Nissan) should immediately enjoy similar benefits as those provided by the Autopact, including elimination of cross-border tariffs and a quick cut in local content and trade-balancing requirements.

Newcomers to Mexico would have to comply with existing tariffs, local content requirements and trade-balancing ratios for five years. The barriers would then gradually be lowered over the next ten years.

Canada, which fears an accelerated southward migration of vehicle and parts factories, is banking that the size of its market – which at about 1.5m vehicles a year is double that of Mexico – will give it some leverage in the Nafta talks.

Canadian parts makers have suggested a 75 per cent North American content for any company wanting to ship products freely between the three countries. They also want a 50 per cent Canadian content requirement to qualify for unlimited and duty-free access to Canada.

But Ottawa has balked at the suggestion. With exports a high proportion of Canadian production, any vehicle or parts maker setting up in Canada has little choice but to comply with the criteria for duty-free entry into the US. If those requirements are raised, companies may prefer to set up in the US where they can get away with a much lower local content by supplying only the domestic market.

Japanese carmakers also support the lowest possible local content requirement. On the other hand, motor industry trade unions in the US and Canada favour an 80 per cent threshold.

While the Autopact's 50 per cent requirement would continue to apply to trade between the US and Canada, Ford and Chrysler have proposed a 70 per cent threshold to qualify for duty-free access throughout Nafta. GM would be satisfied with 60 per cent.

But the Big Three want to produce individual models with a far lower local content. They have proposed that the ratios should in future be based on company-wide averages. This would allow them to use the 80-90 per cent local content of most of their existing US and Canadian production to offset a relatively high import content for new models which may have to compete with cars and trucks built not only in Japan or Korea, but also in Mexico.

Turkish group in $21m Soviet telecom deal

NETAŞ, a Turkish company, is to supply the Soviet Union with its first digital switching system, under a $21m (£12.2m) deal signed this week with the Republic of Azerbaijan, writes John Murray Brown in Ankara.

Netaş, which is 81 per cent owned by Canada's Northern Telecom, is to sell its DRX-4 "Dicle" digital switches, designed in its Istanbul laboratories and Northern Telecom-made DMS switches.

Turkey's Eximbank has agreed on a $200m credit line with the Soviet Union – part of which may be used to back the deal. Netas says the balance would be settled under barter trade of aluminium and other products.

However Mr Turgay Ozkan head of the Eximbank expressed concern this week that instability in the Soviet Union could affect Turkey's gas supplies, which is the vital part of the credit protocol.

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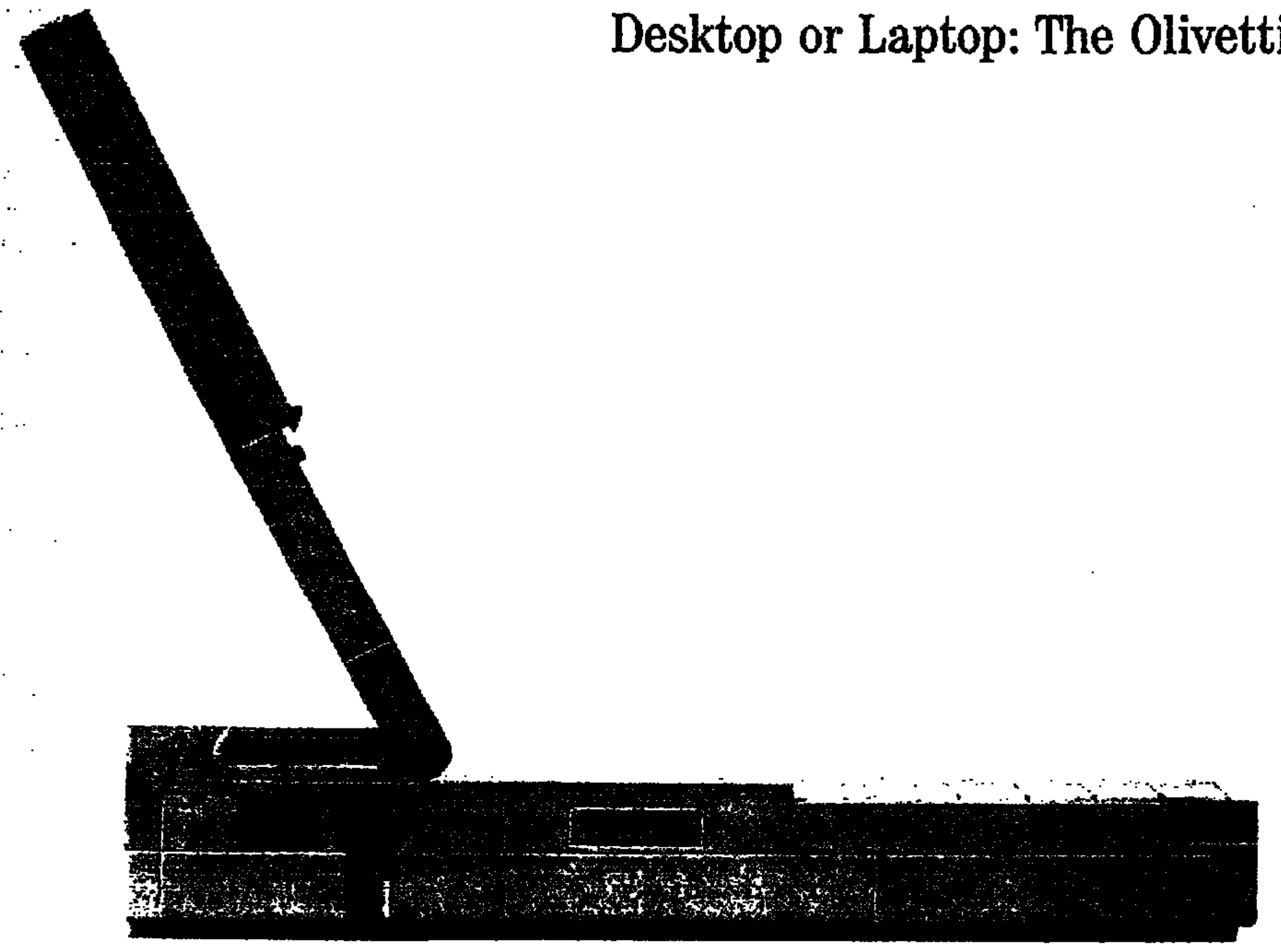

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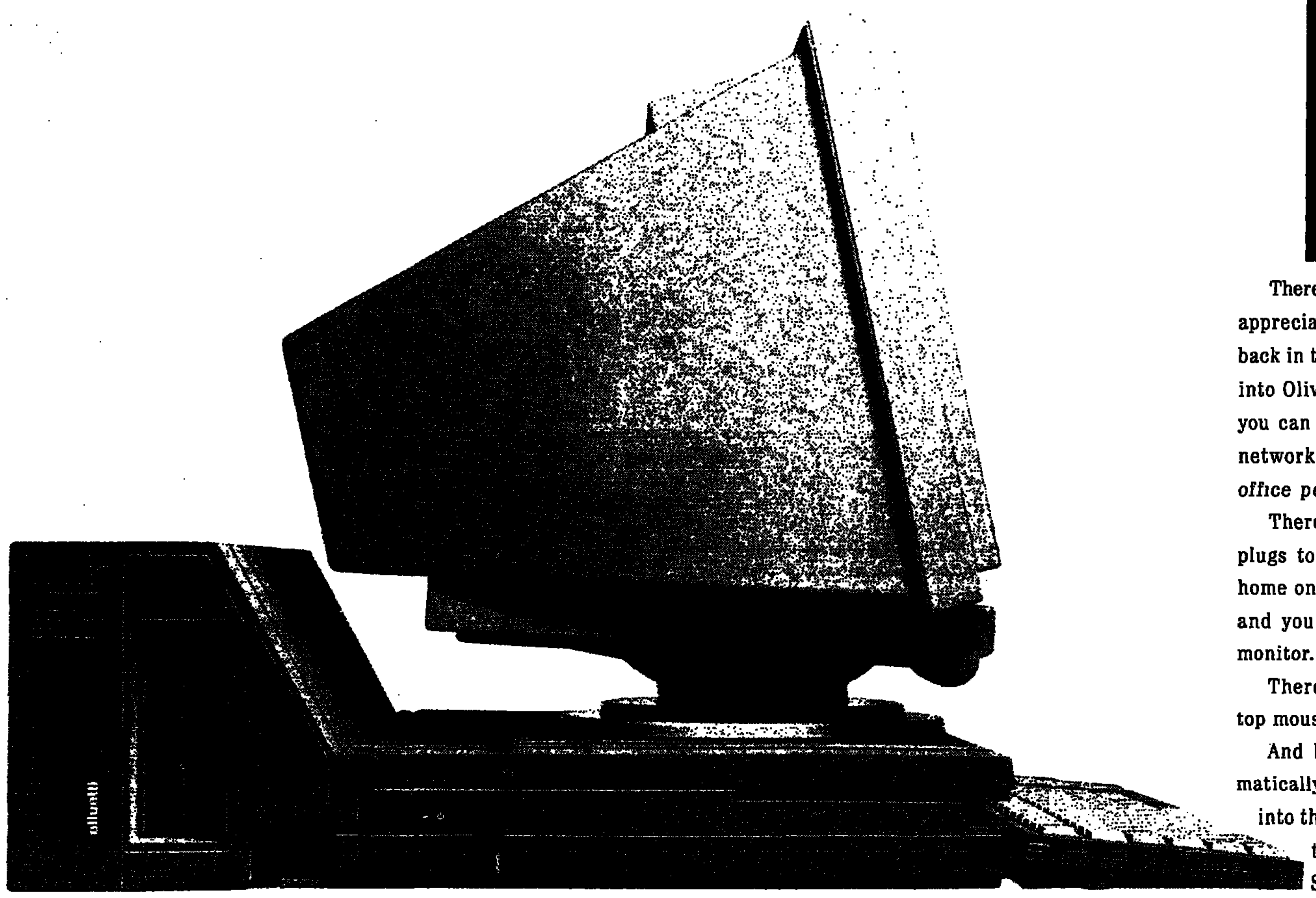

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UK NEWS

Survey measures impact of Luxembourg ruling

Retirement age begins to rise for UK women

By Norma Cohen, Investments Correspondent

UK BUSINESSES have begun raising the retirement age for women workers to 65 – equal to that of men – following a European Court ruling that employers cannot offer different pension benefits to workers based on sex, according to a new survey from the Confederation of British Industry.

In a landmark decision in 1990, the European Court ruled that occupational pensions are a form of pay, and that men and women must be treated equally in their benefits. Thus, UK businesses offering a lower pensionable age to women must either raise the age to the men's 65, lower the threshold for men's pension benefits, or agree some mid-point at which both sexes can retire and receive equal benefits.

The study by the employers association found that 42 per cent of companies with equal retirement ages have equalised them since the Barber judgment in May 1990. Of those, 84 per cent have chosen to raise the threshold for women, rather than lower it for men or to find a mid-point for both. The survey was based on a representative sample of UK companies with occupational pension schemes covering 30 per cent of all members of private sector occupational pension schemes.

Mr Ronnie Gilbert, CBI director of Employment Affairs, defended the decision to reduce women's benefits: "Earlier pensions ages for all would simply load the costs of previous generations of employees on to the current generation and is especially unjustified during the recession."

The study found that in cases of compulsory or voluntary redundancy or retirement due to ill health, 60 per cent of companies did allow men and women to retire on the same terms. However, actuarial assumptions for both differed.

Meanwhile, the CBI repeated its desire to see the European Court interpret the retrospective aspects of the Barber judgment as narrowly as possible. It found that 71 per cent of companies have groups of employees or ex-employees with unequal pension benefits prior to the Barber case. The Court is yet to decide whether equalisation of benefits applies only to those in work now, or must be made to those who are already retired, or who are about to retire. An earlier CBI study estimated that making the principle fully retrospective would require UK companies to pay an extra £40bn in benefits.

Big Bang propels Warburg towards the world class

Warburg boasts the smoothest transition in the City from reforms of 1986, writes **Richard Waters**

BIG BANG The first five years

CITY tradition: a dealer at SG Warburg pursues the assertive style pioneered by the bank's founder, Sir Siegmund Warburg (right)

ASK almost anyone in the City which British investment bank has done best in the five years since the upheaval of Big Bang and the answer is invariably the same: Warburg.

The creation of the SG Warburg Group out of brokers Rowe & Pitman and Mullens, marketmakers Akroyd & Smithers, and merchant bank Warburg, has created the closest thing to a world-class investment bank Britain has to offer.

Success is relative, however. The group's disclosed capital, at £934m, puts it well behind the leading US investment bank in terms of size. Its return on capital, at 18 per cent before tax last year, is well short of the average 25 per cent it hopes to make. But Warburg can boast the smoothest transition of any of the City's integrated investment banks since the reforms of October 1986 allowed outsiders to take over stockbrokers and jobbers – now called marketmakers.

Part of the reason was the success of Sir David Scholey, the group's urbane chairman, in bringing together firms which had a leading market position in their own right.

That has paid off: Warburg has around 9 per cent of equity broking in the UK and more than 10 per cent of market-making.

A second reason for the success was the close ties that already existed with Rowe & Pitman.

The shared culture within Warburg is the City's traditional blend of conservatism and under-statement, combined with an almost arrogant self-assertion. The mix has been apparent since the early, post-war days of the bank under Sir Siegmund Warburg.

He shunned the herd-like pursuit of fashionable banking markets and avoided glorifying individual deal-makers.

Yet, since the contested takeover of British Aluminium in 1959, which put Warburg on the map, the bank has demonstrated an assertiveness that has stuck.

Warburg's new generation of managers – Sir David Scholey, the present chairman, hand-picked as a successor by Sir Siegmund, and Lord Cairns, who took over as chief executive at the start of this month – display many of the same characteristics.

Lord Cairns says: "We encourage a consultative approach. People who go off and do brilliant deals on their own are potentially quite dangerous."

There is a third reason why the Warburg merger worked in its early days.

"We were wonderfully blessed in the first year of the merger to have a buoyant market," says Lord Cairns.

If Warburg avoided the divisive culture clashes that bedevilled other mergers, however, it was in part because senior management avoided grasping the nettle of integration. Running successful broking, market-making and banking departments is one thing – getting them to work together is another.

Separate management committees were set up to run banking and securities, alongside one which ran Mercury Asset Management, Warburg's 75 per cent-owned fund manager, and a separate committee overseeing services such as information technology and personnel.

This approach helped to calm sensitive egos and prevent jealousies but did little for the group as a whole. The separation allowed antagonism between different sides to develop.

A year ago, the committees in charge of securities, banking and support services were merged, although Mercury Asset Management remains autonomous, to avoid conflicts of interest.

Whether Warburg's integration succeeds will show only in earnings over the long term.

The balance of different activities will reduce any volatility, but not eliminate it. Last year, for instance, Mercury Asset Management almost maintained its earnings at £56m while investment banking fell sharply from £145m to £90m.

Earnings have also come under pressure from investment at home and internationally. The bank now has 2,000 of its 5,000 staff overseas. Acquisitions include Bacot Allain, a leading French stockbroker, and the Soditic group, a Swiss investment house. In both cases, Warburg bought out the remaining minority shareholders last year.

The development has been piecemeal. Warburg has a strong presence in French equities, say, or merger and acquisition advice in Spain, but still has much to do to become a complete European investment bank. Germany – where an investment banking unit was incorporated earlier this year – will remain a challenge for years.

Warburg's senior managers insist that it is strong enough to maintain these investments and to compete with its main competitors in Europe – US investment banks such as Goldman Sachs and Morgan Stanley.

"If you take away the proportion of capital they [US banks] have in their domestic operations, my guess is that we are probably bigger elsewhere than they are," says Lord Cairns.

He adds that, contrary to the widely-held view five years ago that only investment banks with significant capital resources behind them would survive, capital has not proved decisive. Three factors could make the next five years very different.

First, in the trading of many derivative instruments, where profit margins are higher, banks are being asked to take bigger risks. Those with AAA-rated balance sheets generally have access to cheaper capital than those with lesser ratings. That gives the handful of AAA-rated banks a marked advantage.

Second, investment costs are unlikely to diminish. Spending on new technology and on strengthening the group's international presence, will continue to eat up capital for the foreseeable future. Warburg has raised money through a £135m rights issue and by placing shares privately in the past four years. Finance director Mr Michael Gore says it has scope to raise substantially more long-term debt and is unlikely to need to call on shareholders in the short term.

Third, internationally-agreed regulations on the capital backing of securities houses are likely to come into force before long. The result could be a greater need for capital.

The Warburg that emerges from the 1990s is likely to be very different from the one created at the time of Big Bang.

Chambers of commerce say confidence increasing

By Rachel Johnson, Economics Staff

BUSINESS confidence leapt to "Big Bang levels" in the third quarter, the Association of British Chambers of Commerce claimed yesterday.

According to its survey of 7,600 employers – reputedly the biggest in Britain – the economy is still in recession while business confidence has soared to levels last seen in the boom of the late 1980s.

Its findings were greeted with some scepticism by the opposition Labour party.

The survey's bullish tone also failed to lift the stock market. Preoccupied largely with the recessions on both sides of the Atlantic, the FT-SE 100 index closed 32.8 lower at 2,528.3, while the pound remained unchanged on its trade-weighted index at 90.3.

Mr Richard Brown, the chambers' director of policy, argued that increased confidence derived from falling inflation, lower interest rates, the prospect of higher profits and the strong exporting performance of the service and manufacturing sectors.

Medium-sized manufacturing companies, particularly in Merseyside and the southern region, had increased export deliveries abroad, he said. The "recovery is being led by exports rather than the domestic consumer."

Markets, Page 31

Forecast says Japanese will take 30% of car market

By John Griffiths

JAPANESE car makers are likely to gain a 30 per cent share of the UK market by the end of the decade, if not sooner, according to a new industry study by Birmingham-headquartered stockbrokers Albert E. Sharp.

The forecast of Japanese penetration – currently just over 11 per cent – is the highest so far made by any analyst.

It is the first strong reinforement of a warning issued by UK market leader Ford to its unions little more than a week ago of the severity of the challenge from Japan faced by the European motor industry.

Mr John Hougham, Ford personnel director, told unions at the start of the company's current pay talks that Ford expected Japan to have a 28 per cent share of the UK market by the end of the decade. Previously, UK industry leaders have tended to hold out the threat of the Japanese reaching a 20 per cent share of the market as a disincentive to what they perceived as excessive pay claims.

The author of the Sharp report, Ms Del Barrett, concludes that Nissan and Toyota will each be looking for at least 10 per cent of the market each as their manufacturing operations in the UK expand, with output from the UK "transplants" of Nissan, Toyota and Honda reaching a total of 600,000 units a year as early as 1995.

It forecasts that the traditional weakness of the Japanese in the business car sector – which accounts for one half of all sales – will be overcome as the transplants become better established. Currently, Nissan has only a one per cent share of the fleet market 'proper', defined as fleets of 25 cars or more. The report also predicts changes in distribution, with the industry being driven towards Japanese methods of vehicles being ordered direct from the factory and delivered in 14 days.

Big pay rise for teachers left in doubt

By Andrew Adonis

THE GOVERNMENT yesterday dampened expectations of a large salary increase for teachers next year – instead calling for a shift towards performance-related pay, with the possibility of head teachers' salaries being determined partly by the success of their schools in exam result league tables.

In his submission to the teachers' pay review body, Mr Kenneth Clarke, education secretary, asked it to have regard to the affordability and economic impact of any settlement. He specifically pointed to the projected rate of inflation for late-1991 (4 per cent) and next year's local authority spending allocation (7.2 per cent up on 1991/2). "The government is determined that the public sector should not be insulated from the downward adjustments to pay settlements," he wrote.

Mr Clarke's evidence runs counter to the view that ministers favoured a large increase in teachers' pay to raise the esteem of the profession. Mr Jack Straw, Labour's education secretary, dismissed the league tables suggestion as "way off beam". He added: "The document could have been written word for word by the Treasury."

Banks 'high-handed' with small businesses

By Charles Batchelor

BRITAIN'S retail banks were criticised by the Office of Fair Trading (OFT) yesterday for their "insensitive, high-handed" treatment of their small business customers. The OFT decided however to take no action against the banks on competition grounds.

Sir Gordon Borrie, the director-general of fair trading, said he was concerned at the number of complaints from small businesses about hidden or opaque charging, lack of notice about changes and a failure on the part of the banks to act upon informal agreements with customers.

He said he supported the suggestion from Mr Norman Lamont, chancellor of the exchequer, that the banks should adopt codes of practice for dealing with small business customers.

Sir Gordon Borrie

The OFT has spent the past three months in a detailed investigation of complaints from small business organisations that the banks had not passed on lower interest charges to their small business customers despite cuts in base rates. The banks were cleared of colluding on interest rates by a Treasury and Bank of England report but the chancellor passed their findings on to the OFT for further study in July.

Small business organisations said last night they were disappointed at the OFT's decision not to take further action. The Union of Independent Companies said the investigation had failed to concentrate on the real concerns of small businesses while the Federation of Small Businesses said an investigation would have been "timely and wise."

The four largest UK banks – National Westminster, Midland, Barclays and Lloyds – welcomed the OFT report.

Sir Gordon said he had reviewed the evidence to see if their was evidence of collusion under the Restrictive Trade Practices legislation, of anti competitive practices under the Competition Act and exploitative behaviour under fair trading laws. He concluded there were no grounds to justify any further action under the competition legislation.

"I am nevertheless concerned about the volume of complaints on hidden or opaque charging, lack of notice of changes, reduction of facilities at short notice, failure to act upon informal agreements or to meet customers' reasonable expectations, and other examples of insensitive or high-handed behaviour."

The banks have until the end of December to announce their codes.

Row on NHS budget escalates

By Philip Stephens, Political Editor

MR JOHN Major may be forced to intervene directly to settle a sharp dispute between the Treasury and the Department of Health over the size of next year's budget for the state-run National Health Service (NHS).

The argument, which has erupted during the annual round of public spending negotiations, has compounded the separate row between the two departments this week over of tax relief on private health insurance for the elderly.

Several meetings between Mr David Mellor, the chief secretary to the Treasury, and Mr William Waldegrave, the health secretary have failed to close a large gap between them on the size of health budget.

Whitehall insiders said that Mr Waldegrave's determination to secure a deal which will not hand ammunition to the Labour party in its attacks on the NHS reforms and the Treasury's attempts to hold down an overshoot in its spending plans had resulted in deadlock.

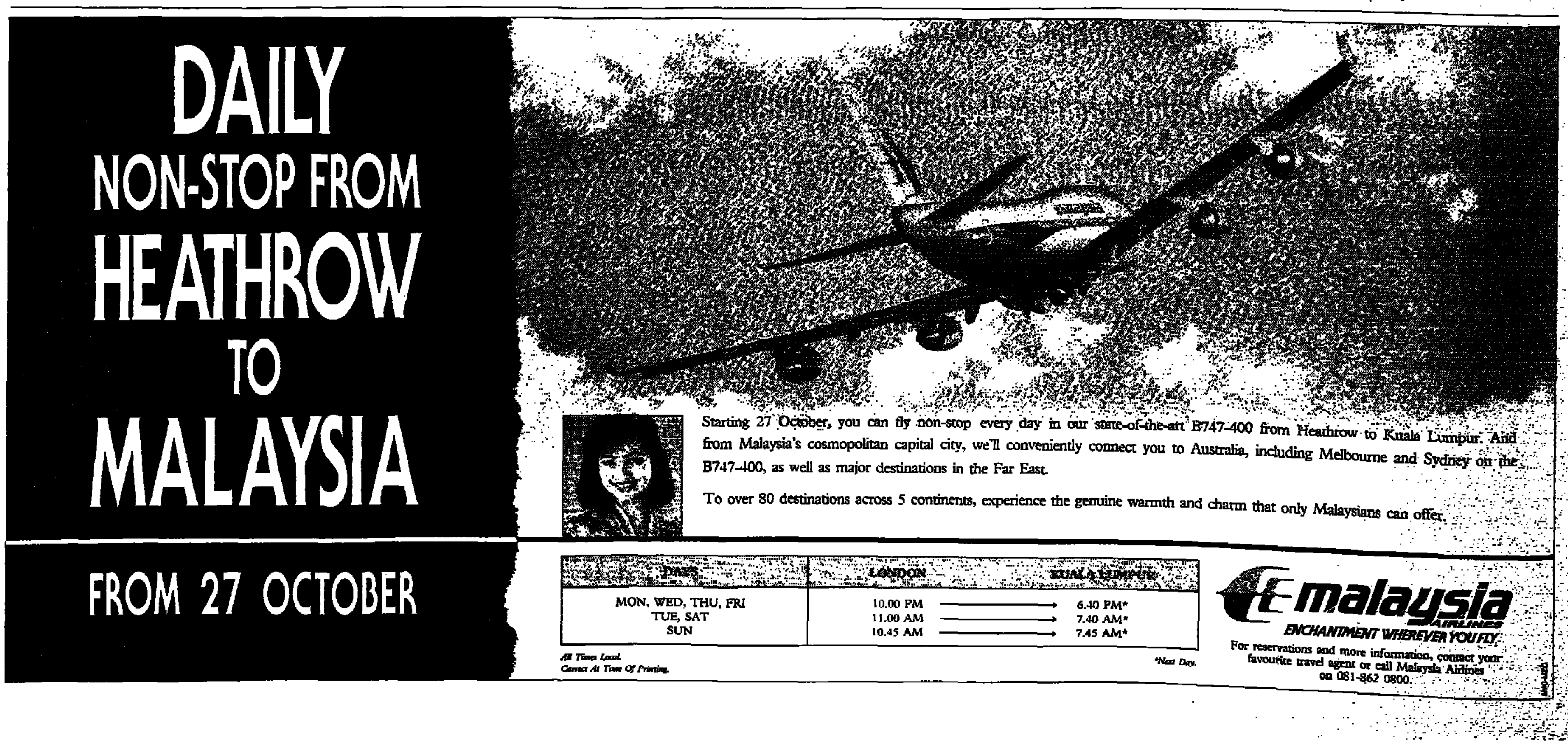
The insiders said that only his personal intervention was likely to force them into an agreement which would allow Mr Major to avoid the embarrassment of convening the so-called Star Chamber of senior ministers to adjudicate.

Mr Waldegrave has told colleagues that he is convinced that he would win the support of a majority in the Cabinet if the Treasury does not concede. It is thought, however, that the issue could only go to the full Cabinet if talks within the Star Chamber were inconclusive.

With the NHS already at the centre of the political battle with the Labour party, Mr Waldegrave is said to be demanding at least £1.5bn in extra funds to be added to his £26.5bn budget for the 1992/93 financial year.

Mr Mellor has conceded that the department should be given a substantial increase. But he has refused a demand that some of the funds allocated this year to smoothe the introduction of the health service reforms should be automatically incorporated into next year's budget. It is thought that well over £100m is at stake.

Several ministers are still arguing about their budgets. Overall, the Treasury is expected to add some £6bn or £7bn to its original public spending target for all departments of £221bn in 1992/93.



UK NEWS

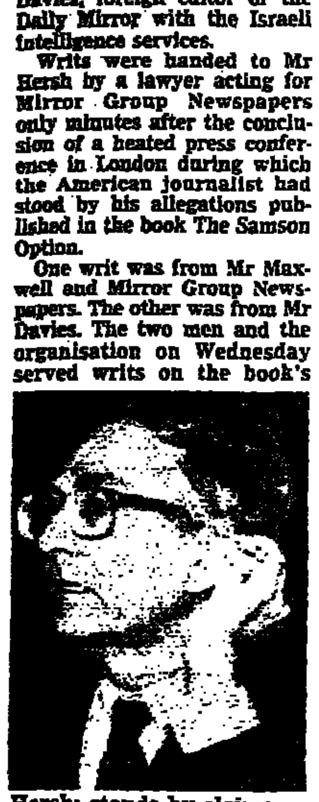
BRITAIN IN BRIEF

Libel writs served on US author

Libel writs have been served on Mr Seymour Hersh, the American journalist, over allegations linking Mr Robert Maxwell, the newspaper publisher, and Mr Nicholas Davies, foreign editor of the Daily Mirror with the Israeli intelligence services.

Writs were handed to Mr Hersh by a lawyer acting for Mirror Group Newspapers only minutes after the conclusion of a heated press conference in London during which the American journalist had stood by his allegations published in the book The Samson Option.

One writ was from Mr Maxwell and Mirror Group Newspapers. The other was from Mr Davies. The two men and the organisation on Wednesday served writs on the book's publisher's Faber and Faber.



Hersh: stands by claims

Mr Hersh told the press conference: "The only thing I can say is that what I have written is true.

"I stand by it. And I am prepared to defend at whatever price that is necessary."

Port claims sale was 'bungled'

The privatisation of the port of Tees & Hartlepool has been delayed by a month because of bungling on the part of the government, according to the port.

Prospective purchasers of Britain's second biggest port will now have to wait until December 20 before learning which of them is to be allowed to buy it.

The postponment has been caused by the Department of Transport's failure to put in place a parliamentary order setting out the terms on which the government will claw back a share of any profits made on post-privatisation property disposals. The department said it regretted the delay but the formulation of the necessary legislation had turned out to be more complex than expected.

London faces slow change

Piecemeal changes to London's local government, such as a minister for London and a joint committee of councils, stand more chance of taking root than an elected strategic authority, according to a report on the future of London's government.

The report, by a research team at the London School of Economics (LSE), paints a gloomy picture of London's prospects. "It is very likely that changes of government during the next 20 years or more will lead to the creation of new authorities followed by further abolition", it concludes.

Road scheme considered

Mr Malcolm Rifkind, the transport secretary, has taken a tentative first step towards introducing a system of charging drivers for use of the roads on a pay-as-you-go basis.

He announced that he had appointed the MVA Consultancy, a firm of transport consultants, to advise his department on a three-year programme researching the possibility of bringing road pricing to London. It will also assess what technology would be required for the introduction of road pricing.

Preisler: 'was undervalued'

Dealer contests 'dismissal'

A London markets dealer who is contesting the circumstances in which she lost her job, told an industrial tribunal she was worth more than £200,000 a year – at least £50,000 a-year more than she was paid.

Mrs Lilliane Preisler, who is claiming sexual discrimination and constructive dismissal against Euro Brokers Capital Markets, said she was forced to leave her job last January after being passed over for promotion and because promised bonuses and incentive payments were not delivered.

Mrs Preisler said she had not taken up offers from rival companies of £200,000 salaries because she had signed a two-year contract with Euro Brokers in order to show commitment to the company. The case continues.

DTI increases prosecutions

The number of successful prosecutions following confidential investigations by the Department of Trade and Industry trebled in the second quarter of this year.

According to new statistics on the work of the department's investigations division, 16 people were convicted in the second quarter of the year compared with only five in the first quarter.

The number of people convicted in the 12 months to the end of June 1991 rose by 40 per cent compared with the previous year. The DTI has responsibility for the investigation and prosecution of a number of company law offences.

Foreign Office audit qualified

Chaos created by computerisation has led to the Foreign Office's accounts being qualified for the second year running.

Sir John Bourn, comptroller and auditor general, said significant uncertainties remained over Foreign Office accounts.

At the same time, the cost of the computerisation project has doubled compared to estimates made in March 1988 - from £560,000 to £1.23m.

'Falsified' bill sent to Guinness

A £750,000 "cushion" for Morgan Grenfell was included in a £1.65m invoice the bank sent to Guinness, a jury at Southwark Crown Court was told.

The invoice, which Mr Roger Seelig, former Morgan Grenfell corporate finance director, is alleged to have dishonestly falsified, was a bill for work in connection with the takeover of Distillers.

Mr Piers De Montfort, part of Mr Seelig's team at Morgan for the bid, said Mr Seelig had told him he had agreed the £1.65m with Mr Olivier Roux, then Guinness finance director.

The court has heard that Mr Seelig recruited LFR, a New York investment bank, to buy Guinness shares during the bid and that Morgan Grenfell later bought LFR's Guinness holding to keep it off the market while the price was depressed.

Mr Seelig and Lord Spens, former corporate finance managing director at Henry Ansbacher merchant bank, are jointly charged with conspiring to contravene the 1958 Prevention of Fraud (Investments) Act. Mr Seelig faces another charge under that act and two of false accounting. Lord Spens faces one false accounting charge. Both plead not guilty.

Scottish Power plans new plant

Scottish Power, the privatised Scottish electricity company, said it agreed to set up a £105m energy-from-waste plant with Babcock Energy. The plant which will use 400,000 tonnes of domestic waste a year, will be developed on a site near Portsmouth.

Poll backs Ulster troop pull-out

By Ralph Atkins in London and Tim Coone in Dublin

PEOPLE living in mainland UK want British troops withdrawn from Northern Ireland but are becoming increasingly polarised about whether the province should remain in the UK or join the Irish Republic, according to a survey yesterday.

The Mori poll shows 61 per cent of adults in England, Wales and Scotland favour either immediate withdrawal of troops or withdrawal over a pre-set period.

The results come as Mr Peter Brooke, Northern Ireland secretary, continues long running efforts to re-start talks on the province's political future.

Mr John Bruton, the leader of Ireland's principal opposition party Fine Gael, yesterday called for "a dramatic new initiative" to revitalise talks.

It would be "extraordinarily dangerous" if discussions are postponed until after elections which have to be held in Britain before July next year, Mr Bruton said.

In London, the Northern Ireland Office said it was, "simplistic to conceive the British presence in Northern Ireland in terms of little more than the soldiers deployed there to support the police." Official policy is that the province will remain part of the UK as long as backed by a majority of its population.

In the survey, a quarter of those questioned supported union with the Irish Republic but a third said Northern Ireland should remain part of the UK. A further quarter said the province should become an independent state.

Based on interviews in March with 1,923 adults, the survey for Channel Four television shows 65 per cent believed British politicians are not doing enough to solve the problems of Northern Ireland.

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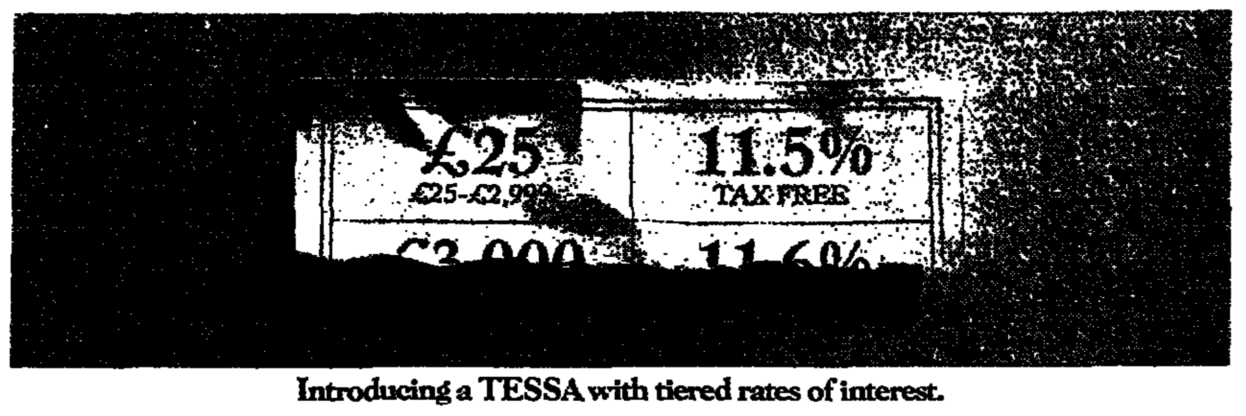

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DAI-ICHI KANGYO BANK

DKB ECONOMIC REPORT

October 1991: Vol. 21, No. 10

Japanese Economy Slowing Down Further

Japan's economic growth is continuing to decelerate under the widespread effects of the past tight credit policy. The composite index (coincident index), which shows the level and strength of economic activity, has been in a downward trend following a peak in the July-September period of 1990 (Figure). Given that a downturn in the index has always been regarded as a sign of a recession, the current economic boom appears to have passed its peak.

Business Mood Also Flagging

Business sentiment is also weakening gradually. According to the Bank of Japan's latest "Tankan", or short-term business outlook survey conducted in August, the indexes measuring business conditions of major manufacturers and non-manufacturers declined from the previous survey carried out in May (Figure). The index for all industries stood at 32, the lowest level since the May 1988 survey.

The deceleration in economic activity is most evident in production of goods. Reflecting a gradual slowdown in manufacturing productivity, the capacity utilization rate dropped to 104.8 in the April–June quarter of 1991 after peaking at 107.3 in the October–December quarter of 1990. This stems largely from a buildup in inventories caused by sluggish growth in shipments, which, in turn, arose from the rapid deceleration in the growth of final demand such as that for housing investment and capital investment. The inventory-sales ratio of manufacturers has already surpassed the levels seen at the end of the previous economic boom (February 1983-June 1985), and the "Izanagi Boom" (October 1965–July 1970) or at the beginning of recession. The ratio hit bottom in the July–September quarter of 1990.

Consumption Firm, Housing Investment Weak

Of the factors in the demand aspects underlying the rise in inventories or the slowdown in production, consumer spending is holding firm. Although monthly new car sales continued to be below the previous year's levels in terms of registrations, year-to-year growth in real consumption expenditures for all households increased from 0.4% in the January–March quarter to 1.7% in the April–June quarter. Given strong growth in household income, which is likely in the coming months, household expenditures are expected to perform well unless prices surge.

As for housing investment, monthly housing starts have dropped sharply to an annual total of about 1.4 million units from the previous fiscal year's level of 1.67 million units. The demand for renovation of privately owned homes is expected to pick up if housing loan interest rates go down. But the environment for housing investments is expected to remain tough, and regaining the past momentum will not be easy.

Financial Constraints on Capital Investment Intensify

Shipments of capital goods, excluding transport machines, fell 2.7% in July from a year earlier after declining 0.3% in June. The downtrend raises concern that constraints stemming from corporate financing are increasing.

Growth in the nation's money supply has been slackening rapidly since the second half of last year. The slowdown is attributable to a deceleration in the growth of bank lending due in part to the capital-to-asset ratio requirement set by the Bank for International Settlements (BIS). As a result, the supply of cash held by companies has been declining gradually.

These financial constraints are overshadowing investment in equipment. According to the BOJ's latest Tankan survey results, the value of planned capital investments for fiscal 1991 by companies in the nationwide manufacturing sector grew 8.3% from the previous year. The figure represents a slight upward revision in the previous survey's figure of 6.8% growth. The past Tankan survey results indicate that capital investment plans tend to show stronger year-to-year growth during an economic boom. The fact that the latest survey shows capital investment plans have hit a peak suggests that companies are increasingly reluctant to make additional investments in equipment in light of the economic slowdown and the constraints imposed by corporate financing requirements.

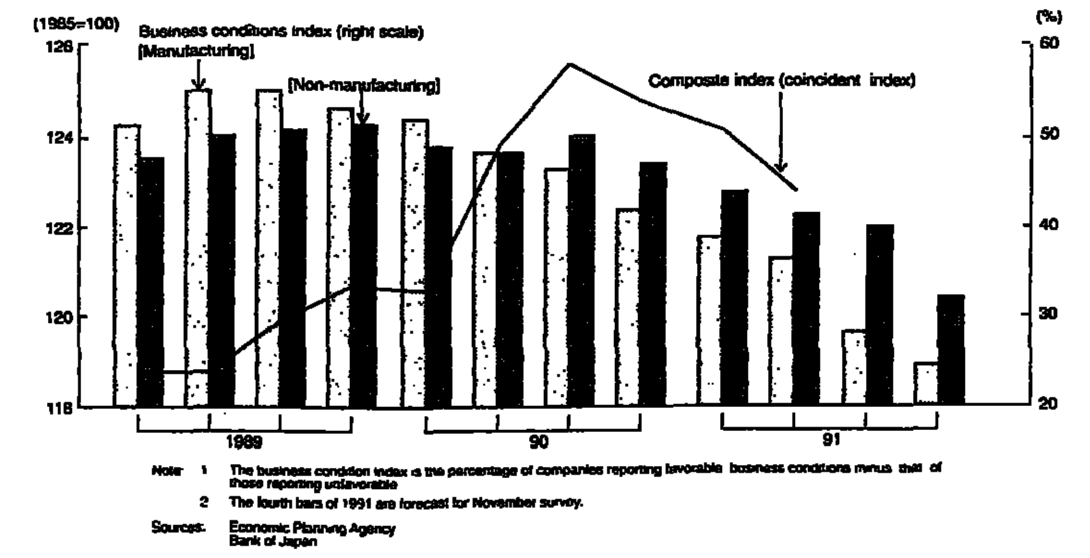
If the stock market slump persists, companies will find it increasingly harder to secure funds for several reasons. First, it will become difficult to raise funds on the capital market. Second, banks are expected to tighten lending further to maintain or improve the BIS-imposed capital adequacy ratio. Third, companies will face difficulties in drawing down their supplies of stock investment-related cash. Machinery orders and other leading indicators show that growth in capital investment will slacken in the months ahead. Capital spending may be curbed further, if companies find it more difficult to secure funds due to a protracted stock market slump.

Prices Expected to Stay Stable

Prices appear to be stabilizing. Domestic wholesale prices rose only 1.7% in July from a year earlier–the first year-to-year increase at the 1% level in nine months–after a peak increase of 2.6% growth in January of this year. Greater stability in domestic wholesale prices is ascribed to stable movement in the prices of oil-related products and an easing of the supply-demand situation for manufactured goods, reflecting a slowdown in demand. The easing of goods is clearly reflected in business sentiment as shown in the latest Tankan survey.

Consumer prices also appear to be stabilizing, although the pace of inflation is still around the 3% level. Year-to-year price increases are expected to diminish further since the effect of wholesale price stability will spread to consumer prices, and the prices of oil-related products will fall in reaction to surges last autumn.

Figure. Economy Expected to Slow Down Further



Note 1 The business condition index is the percentage of companies reporting favorable business conditions minus that of those reporting unfavorable
2 The fourth bars of 1991 are forecast for November survey.

Sources: Economic Planning Agency
Bank of Japan

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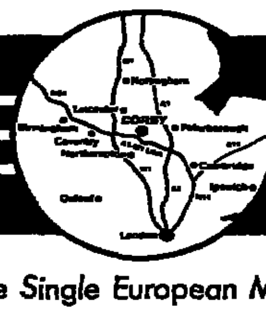

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INDIAN GRACE
Court of Appeal
(Lord Justice Glidewell, Lord Justice McCowan and Lord Justice Leggatt):
September 26 1991

A FOREIGN judgment awarding damages to a cargo-owner for loss of part of his cargo arising from the shipowners' breach of the contract of carriage, debars him from suing in the UK for loss of the whole cargo arising from the same breach, despite the parties' agreement to the contrary, because the cause of action in both cases is the same and cannot give rise to two separate damages claims.

The Court of Appeal so held when dismissing an appeal by the plaintiffs, The Republic of India and others, owners of cargo carried on the Indian Grace, from Mr Justice Sheen's decision to strike out their claim against the defendant shipowners, *India Steamship* Co Ltd.

Section 34 of the Civil Jurisdiction and Judgments Act 1982 provides: "No proceedings may be brought by a person in England ... on a cause of action in respect of which a judgment has been given in his favour in proceedings between the same parties ... in a court of an overseas country, unless that judgment is not enforceable or entitled to recognition in England and Wales ..."

LORD JUSTICE LEGGATT said that on June 26 1987 Indian Grace sailed for India from Sweden laden with munitions, mostly shells.

On July 1 a fire was discovered in No 3 Hold. The vessel diverted to Cherbourg and the cargo was inspected by the French Navy, repackaged so far as necessary and restowed.

During that process 51 shells were jettisoned. The vessel resumed her voyage.

On September 4 the cargo was cleared from the vessel in Cochin and inspected by a surveyor. On December 9 the cargo-owners wrote to the shipowners claiming 136m rupees (about £2.6m) for the total loss of the whole cargo.

On February 3 they gave notice of a smaller claim for 189,508 rupees (about £9,000).

The parties subsequently agreed that the 136m rupee claim should be subject to English law and jurisdiction.

On September 1 1988 the cargo-owners issued a plaint in the court in Cochin seeking damages for the 51 shells not delivered.

The plaint referred to the fact that fire had broken out in No 3 hold. It identified 51 shells and 10 charge bags as the subject of the claim. It alleged that the damage was suffered on account of negligence and carelessness of the shipowners while the cargo was in transit in Indian Grace.

On August 24 1989 the writ in the present action was issued in England.

On December 16 judgment was delivered in Cochin. The judge described the manner in which the cargo had been stowed and found that the shipowners had not exercised as much care and caution as was expected of a prudent shipowner in the carriage of sophisticated weapons. He remarked that the short delivery was essentially because of the fire and concluded that the shipowners were liable for the short delivery.

Six months later the writ in the English action was served. It was alleged that the shipowners were under a duty as carriers by sea to deliver in good order and condition, and that they failed to take reasonable care.

Mr Justice Sheen struck out the claim on the grounds (1) that the cause of action was the same as that in the Indian action; and (2) that section 34 of the Civil Jurisdiction and Judgments Act 1982 was an absolute bar to bringing proceedings.

The cargo-owners appealed.

The first issue was whether the cause of action in Cochin was identical to that in the English action.

Mr Charlton for the cargo-owners argued that the causes of action in the English and Cochin proceedings were different. He submitted that the position was tested by listing the facts which must be pleaded and proved to establish a right to damages for short delivery and a right to damages for delivery in damaged condition.

Mr Gruder for the shipowners argued that there was no difference between the causes of action. The plaintiffs claimed damages arising out of the defendants' negligence and breach of the contract of carriage.

In *Brunsden v Humphrey (1884) 14 QBD 141,147* Lord Justice Bowen said "... It is a well settled rule of law that damages resulting from one and the same cause of action must be assessed and recovered once and for all".

In *Conquer v Boot [1928] 2 KB 336,342,345* Lord Justice Sankey cited that rule of law. He said that the plaintiff, having recovered on the contract for the alleged breach, "cannot recover in another action upon precisely the same particulars of claims but adding further particulars of damages only".

Mr Justice Talbot said said the question was whether the plaintiff could "if he had given the proper particulars, have proved the whole of what he claims in the second action under the cause of action for which he sued in the first".

In the present case all the damage could properly have been particularised in one claim.

In *Buckland v Palmer [1984] 1 WLR 1117* Lord Justice Griffiths said "the general rule should be that both sums must be claimed in the same action". He quoted Viscount Sumner in *Clark v Urquhart [1930] A C 28,54* "A ... claimant must prove and recover damages arising from one and the same cause of action, once and for all".

In the present case Mr Justice Sheen said he had no doubt that the claim was founded on the same cause of action as the claim in the Cochin action, namely breach of the contract of carriage.

The authorities illustrated the sensible legal principle that there must be an end of litigation. Courts must also avoid the risk of giving conflicting judgments on the same set of facts. To meet these problems the doctrine of *res judicata* has been evolved. A plaintiff was precluded from relying again on a cause of action that had already been concluded by and merged in a previous judgment. Before that could happen, the cause of action in the second action must be the same as in the first. That meant that there must be reliance on the same essential facts.

Here the attempt had been made to distinguish between a cause of action based on loss caused by breach of contract and a cause of action based on damage caused by the same breach. They were not injuries to different rights. They were not even different forms of damage. The damage was the same, although it was incurred by different parts of the same cargo. The damage was merely more serious in relation to the goods that were jettisoned than in relation to the goods which were not jettisoned. In the Cochin action it was necessary to allege a failure to carry carefully. That was precisely the same breach that founded the English action. The loss was only incurred because the damage to the goods was more severe than to the remainder of the cargo which was allowed to complete the voyage in a damaged condition.

Section 34 of the 1982 Act provided that no proceedings might be brought by a person in the UK on a cause of action in respect of which a judgment had been given in his favour in foreign proceedings between the same parties, unless that judgment was not enforceable or entitled to recognition in the UK.

Mr Charlton argued that section 34 must be read as permitting agreement between the parties to preserve or reinstate a right to proceed in the UK, despite a foreign judgment based on the same cause of action. He submitted that the parties could, by agreement or reservation, override the effect of section 34.

Parties could not, by agreement or by reservation, confer on the court a jurisdiction of which it had been deprived by statute.

There was nothing about the Cochin judgment which disentitled it to recognition. Neither the judgment nor the cause of action on which it was founded was unjust or contrary to public policy. There was no ground on which the judgment could or should be disregarded.

Section 34 constituted an absolute bar against litigating afresh in England the same cause of action upon which the judgment in Cochin was founded. The judge was right to strike it out.

LORD JUSTICE McCOWAN agreed.

LORD JUSTICE GLIDEWELL gave a concurring judgment.

For the cargo-owners: Timothy Charlton (Clyde & Co).
For the shipowners: Jeffrey Gruder (Ince & Co).

Rachel Davies
Barrister

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MANAGEMENT

Corporate restructuring

Alcoa launches its own industrial revolution

Tradition has gone by the board, reports **Kenneth Gooding**

Some suggest that Paul O'Neill is a loose cannon, one likely to fire off in any direction and liable to do as much damage to his own troops as to the enemy. O'Neill was recruited from outside the industry to be chairman and chief executive of the Aluminium Company of America (Alcoa), the biggest group in the business and founder of the aluminium industry more than 100 years ago.

From the outset he refused to take aluminium industry traditions at face value. While he pleased most Alcoans by refocusing the group on its core aluminium operations, his fresh approach did not go down well with the old guard.

Now, four and a half years into the job, he has launched the biggest broadside of all. It will take some time for the dust to settle and for the results to be judged. But O'Neill believes that by 1995 at least $1bn will be added to Alcoa's operating profit - which was $653m last year, down from $1.37bn in 1989. Some analysts suggest, however, that he might be asking too much of his managers - and himself - and that it might all end in tears.

Ten weeks ago O'Neill announced a fundamental management reorganisation, the biggest in Alcoa's history and one which will be closely watched by other large groups with conventional structures.

O'Neill says Alcoa and too many other companies have been following ideas rooted in the industrial revolution which attempt to establish a standard pattern and practise it uniformly anywhere in the world. The purpose is to "eliminate the upsets that come from human beings and to make things ever more mechanical and robotised."

"The value of that model has been exhausted," O'Neill suggests. "The model of the future for a company like ours is one where there is a framework that is understood and accepted (by managers and employees) but where there is an expectation of local initiative and creativity and testing the boundaries rather than doing what somebody orders from thousands of miles away."

Alcoa's new structure gives managers of its 25 operating units much more decision-making authority but also makes them more accountable. It removes two levels of top management; gone are the president, three group vice-presidents and 24 staff jobs. The major casualty is Fred Fetterolf, the president, who retired two years ahead of schedule after 39 years with Alcoa.

This leaves O'Neill and a "chairman's advisory council" of three people, including two of the former vice-presidents.

He explains that in his new structure Alcoa's customers and the operating units will be the centre of focus. "This is where most of the value creation takes place that ultimately determines our success as a company." Beneath the operating units are the pooled corporate resources required to service their needs.

Thomas Van Leeuwen, analyst at Shearson Lehman Brothers, points out that the structure consolidates power at Alcoa in the office of the chairman. "Final decisions will rest with O'Neill and Alcoa's future success or failure will fall squarely on his shoulders."

O'Neill agrees. "I'm comfortable with that. If we fail strategically I am responsible. But if we fail tactically . . . they will not have to look to me. These people (the 25 presidents of the operating units) will be fully invested with authority to be leaders. My business unit presidents must pass down into their own organisations their own versions of what I am doing with them. It won't work if it stops with them."

Some suggest O'Neill's job will become impossible because, apart from the 25 presidents reporting to him, he is working hard to build strategic alliances in the Far East and Europe in order to grab for Alcoa a reasonable share of the growth in those markets - growth far greater than in North America where the bulk of the group's operations is based. O'Neill says the critics are wrong. "Of course, the job would be impossible if people were reporting to me in the sense that I tell them what to do and that I know better than they do what they should be doing. I can help them get the resources they need from central resource pools, the science and technical people. And I can give them clarity about what the rules are and about the framework in which we all need to operate.

"There are not that many strategic decisions for me to take. You don't decide to enter or exit a new business every day."

The three vice-presidents, chairman's counsel, are also there to help formulate the framework within which Alcoa operates, to define where it needs elaboration and to help the new operating unit presidents. But O'Neill insists his advisers will not "have their own agendas".

"We cannot succeed if we persist in our use of the traditional command and control system of management where many thousands of people believe their only responsibility is to do what they are told."

One of the chairman's new counsellors, Vince Scorsone, agrees that there used to be "far too much agenda-setting from the centre" imposed on the units. "There'd be some flavour of the month from Pittsburgh which often didn't make sense at all the units." Scorsone admits, however, that his new position, effectively giving him a great deal of power without much responsibility, makes him feel "weird".

There are considerable doubts outside Alcoa that managers who grew up in a conventional, large-company environment can overnight be switched into becoming risk-taking entrepreneurs. O'Neill shares some of those doubts, but says: "I am confident that all (the presidents) should have the chance. It would have been fundamentally unfair of me to judge on the basis of how we operated before."

Paul O'Neill (left): removed two layers of top management, including that of the president, Fred Fetterolf

O'Neill's changes were generally well-received by Alcoa's managers and the new presidents, even though they have no idea as yet about what will happen to those who fail to perform. They have been given until November to draw up their new campaign plans. Bob Hughes, president of the forging and casting division, says: "We already felt pretty accountable for the results of our businesses. The main issue is the rate of change. There is now more of a sense of urgency."

Another of the new operating unit presidents, Sandy Nelson, who heads the sheet and plate division, is convinced Alcoa will do better under the new structure. Those managers who ended up at Alcoa headquarters in the past were "achievers" and it was too much to expect them not to interfere with the operating units, he says. "But they didn't always see what was needed at the operations."

Ironically, O'Neill was recruited by the Alcoa board in April 1987 because they were worried about the direction in which his predecessor, Charles Parry, was taking the group. Parry saw little future growth in the aluminium business and wanted to revolutionise Alcoa by taking it into high-tech areas such as composites and other Space Age materials.

O'Neill, a quiet, short man, at first sight seems the epitome of the buttoned-up US manager. Degrees in economics and public administration prepared him for an early career in the US federal government where he became deputy director at the Office of Management and Budget.

In 1977 he moved into manufacturing industry and the International Paper group where he became president. While there he was on the Alcoa board for two years before Parry was ousted.

He laughs about the loose cannon description but says he objects to it because it suggests that his actions are haphazard and not carefully considered. "It's true I've done some things that people who have been carrying around the conventional wisdom said I should not do."

O'Neill spent nearly three years developing the ideas for the new structure - writing notes to himself during long flights. He did not consider using consultants before making the announcement; he checked only with his board.

As for the timing, O'Neill says, "It is my conviction that change should occur when things are going well. Waiting until outside events force change is at best reactive administration and at worst management cowardice."

Networks

Fast, flat and flexible - but what do they do?

By Christopher Lorenz

No manager, and no organisation, is really up to the mark these days unless he, she or it can claim to be part of a "network".

Networks are one of the most fashionable concepts in management. They epitomise the increasingly popular 1990s creed of fast, flat, flexible and "open" organisations - what some gurus have dubbed "the New Organisation".

The trouble is that no three people can agree on what the word "network" means.

To some managers and companies, networks are links *between companies:* strategic alliances, joint ventures, supplier relationships and the like. To others, they are informal associations between *people*, regardless of their place of work.

To still others, networks are relationships *within companies:* groupings of managers and/or professional specialists inside an organisation which, unlike most committees, operate informally and openly across different levels, functions, business units and (where applicable) countries.

Though everyone agrees that networks should operate as informally as possible, this does not mean that they are necessarily unofficial; some people argue that the only really significant internal networks are ones which are established officially, while others consider that the only really worthwhile networks are unofficial ones, composed of people with common interests and expertise.

Yet another definition of networks is largely technological: the sharing of information through computerised management information systems, electronic mail, video conferencing and so forth.

In an attempt to bring some sense and order to this confusion, and to provide practical advice on how to make networks really effective, a Ram Charan, a Dallas-based management consultant, has carried out a four-year study of the creation of networks in 10 companies based in north America and Europe. They include Conrail (the renamed assemblage of the bankrupt old Penn Central and other railroad lines), plus Dun & Bradstreet, Du Pont, American General Electric, and the Royal Bank of Canada.

To judge from a long article by Charan in the latest Harvard Business Review*, he is much closer to achieving his second objective than his first.

The practical advice he gives on how to build and sustain networks is extremely useful, not merely to organisations which have just begun "networking", but to any entity which wishes to manage itself flexibly and quickly - in a word, well.

Charan also argues convincingly against the fashionable view that middle managers are obstacles to corporate change. Their behaviour in networks shows that they are not born defensive and narrow-minded, he says; "Most people want to co-operate and collaborate. They would prefer to innovate than to block."

On the basic meaning of "network", however, Charan actually adds to the existing confusion by providing a definition which is not just arbitrarily narrow and exclusive - and oddly authoritarian given the fundamentally consultative nature of networks - but is also undermined by some of his own data.

If he were to be believed, the term should be confined to "a recognised group of managers assembled by the chief executive officer and the senior executive team" - in other words, to an official grouping. Networks would also be entirely distinct from teams - which Charan wrongly implies are always *ad hoc* and temporary.

Yet, from his own evidence, several of the companies he has studied seem to use the terms "network" and "team" interchangeably, at least in certain circumstances. He makes much of the work of a 12-manager "network" within the Royal Bank of Canada, yet its official title was "community banking team".

At Dun & Bradstreet Europe he describes three cross-border project teams as networks, as he does with five cross-functional global teams at a Pennsylvania conglomerate entitled Armstrong World Industries.

At one point Charan even commits the cardinal sin (to networking enthusiasts) of calling Conrail's "operating committee" a network - precisely the sort of confusion which, in many companies trying to introduce networks, has enabled conservative executives to pour scorn on the whole concept.

Charan is also inconsistent over his narrow definition of networks as groupings assembled officially by top management. Discussing Armstrong's experience, he says that one of its official networks "has also encouraged lower ranking managers to emulate network interactions" - in other words, to create unofficial networks.

He also reports that "networks quickly [bring to the] surface people of exceptional competence, informal leaders whose talents have been hidden . . .". So how can he also assert that all network managers must be appointed by top management?

It is a pity that such inconsistencies pepper Charan's argument, since his advice to senior managers on how to handle networks is most sensible, and his accounts of the study companies' experiences are revealing.

He makes several points about senior managers' role in the creation and sustenance of networks. Most fundamentally, he says, they need to operate as change agents to create new ways of working - what he calls a new "social architecture". Whatever you choose to call it, such an animal is needed to facilitate the newly freed flows of information, power, confidence and trust between the members of a network.

Or, indeed, of a real team.

**How networks reshape organisations - for results, HBR Sept-Oct 1991. Reprint No 91503.*

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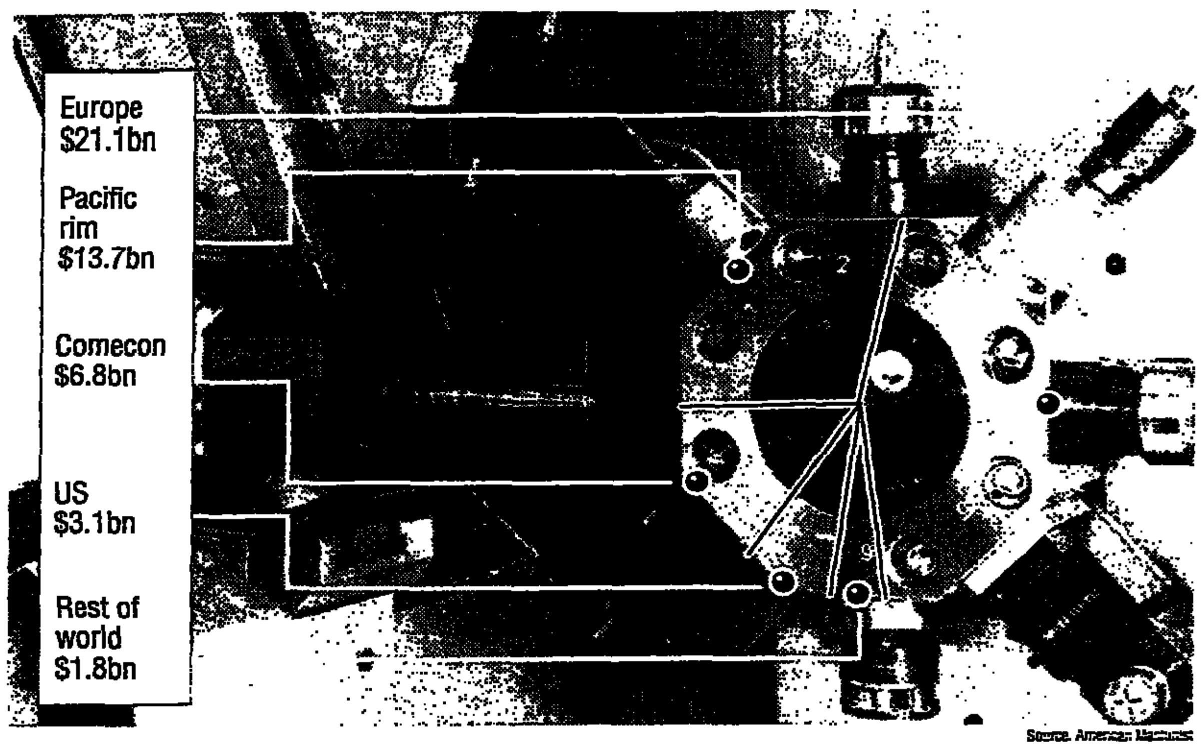
FT SURVEYS

TECHNOLOGY

Andrew Baxter looks at how the European machine tool industry can survive amid stiff competition

Time to shift gears



Europe's place in the worldwide machine tool industry, 1990 (est)

This week, four years after it sent shivers through its European rivals by establishing a manufacturing bridgehead into Europe, Japanese machine tool producer Yamazaki Mazak broke out the bubbly.

In the middle of a recession from which not even the Japanese are immune, Yamazaki's UK company has been named by the Royal Swedish Academy of Engineering Sciences as one of the 10 "best in the world" manufacturers.

It is the sort of honour the Japanese take very seriously, and even prompted a visit by Teruyuki Yamazaki, president of the world's largest producer of computer numerical-controlled (CNC) machine tools, to Yamazaki's European manufacturing plant at Worcester, one of the most advanced manufacturing complexes anywhere in the world.

For European machine tool makers, though, the accolade for Yamazaki was just another reminder of the Japanese producers' clout in international markets for machine tools – the basic metal-cutting and forming machines of manufacture.

The past year has been hard-going for many of Europe's 1,500 producers. Things began to go sour halfway through 1990, as manufacturing customers in the UK and the US turned off the flow of orders. Through this year, continental markets have gradually succumbed to the downturn, and sales to cash-strapped eastern European countries have plunged.

Reunified Germany, say many producers, was the last to turn sluggish, although the trend is by no means pervasive. Meanwhile, some UK producers with a heavy dependence on the domestic market are close to desperation.

Now the European industry is again asking a question that has worried many of its observers and customers for the past decade: "Are Europe's machine tool makers too small, and the industry too fragmented, to beat the competition?"

The question is particularly relevant now because the threat from the Far East is changing in character.

Yamazaki and its compatriots have been in the forefront of the transformation in machine tool technology for the past 20 years, notably CNC, which applies computer power to the basic metal-cutting process, increasing speed, accuracy and flexibility.

By constantly updating their product ranges and introducing mass-production manufacturing techniques, the Japanese have a stranglehold on many of the high-volume sectors of the machine tool market in North America and Europe.

But newer Far Eastern competitors are barking at the Europeans' heels. Europeans now run the risk of falling between two stools – missing out on the economies of scale of the Japanese manufacturers and the low labour costs of the Taiwanese and other Asian producers.

European producers have survived the Japanese onslaught by offering customers in manufacturing a tailored approach rather than the more standardised products of the Japanese, by moving into niche markets or concentrating on the sectors where CNC is less relevant.

The larger German, Italian and Swiss producers have also kept up with the Japanese on CNC technology, although their development spending is spread over much smaller sales bases.

Now the industry faces a more complex era of factory automation, with developments in robotics, flexible manufacturing and automation technology. As the mechanical development of machine tools reaches its technical limits, computer power will become proportionately more significant, and development costs will rise. Increasingly, therefore, the larger European producers realise that the highly fragmented industrial structure, which until now was thought appropriate for building some 3,000 different types of machine, needs some remachining of its own.

This diversity has been the main argument for the "small is beautiful" approach in the European machine tool industry. Japan, too, has its small producers, but most of these concentrate on the domestic market. For European companies operating in international markets, their small size – 120 employees on average – has disadvantages.

First, with technologies converging on the factory floor, the importance of collaborative research has become more pressing. Some larger machine tool manufacturers such as Mandelli of Italy have taken part in European-wide research programmes, but the industry complains that small and medium-sized companies are put off by the amount of red tape involved.

Unfortunately, however, many smaller, privately-owned producers have felt unable to compromise their independence by pooling research efforts, even to form a pan-European response to Japanese competition.

Similarly, perceived cultural differences and variations in distribution and manufacturing practice have reduced the attraction of cross-border mergers, which have strengthened other sectors of mechanical engineering in Europe, such as power engineering, ahead of the European Community Single Market reforms.

A lack of big-company "clout" also makes it difficult for the industry to promote its strategic importance or make its presence felt on trade issues such as access for European companies to the Japanese market. Alone among developed markets for machine tools, Japan obtains more than 90 per cent of its needs from domestic suppliers.

Werner Babel, managing board chairman of Maho, the big German producer of turning and milling machines, claims that "some, but not all, of our Japanese competitors are not fair. They are penetrating some markets just to wipe competitors off; as soon as they have won the market they are free to raise prices."

Manufacturing strategy is also hampered by the small-company factor. In the mid-1980s Yamazaki was worried about the European Single Market but responded by building the Worcester plant. It now has annual sales of £200m in Europe, of which more than £60m comes from its Worcester factory, and with 650 employees in Europe presents itself with some justification as a European company.

Very few indigenous producers are large enough to consider such a venture outside their home market. Some have formed joint marketing agreements with similar producers abroad, but the rest have to sell outside their home countries through agents and other middle men, reducing profits and increasing their dependence on domestic sales.

The European industry's response in the 1990s will be characteristically measured. No one is talking about a European machine-tool "superleague", but Babel and others see an inevitable trend among volume producers towards bigger units, with the smaller players prospering only if they have technology leadership in a defined market sector.

International takeovers may still be limited by integration problems but there have been some encouraging recent developments. Maho has filled out its product range with acquisitions in Italy and Switzerland, and Traub, another German turning machine producer, established an important beach-head in Italy with the purchase in May of Gloria, a successful Italian machining centre producer.

France has been the most active takeover arena, with several companies willing to sell out to non-French owners in the interests of achieving critical mass. In June Tornos-Bechler, the Swiss automatic lathe builder, took control of its smaller French counterpart, FLD-Manurhin, to claim the title of Europe's biggest producer.

Where takeovers are not possible, the large companies are trying harder to co-operate on development programmes that straddle different areas of industrial automation. Trumpf, the German manufacturer best known for its sheet-metal cutting machines, has combined its laser technology with a robot produced by Comau of Italy to make a powerful laser robot.

The future for European machine tool builders lies in combining the benefits of a more rational industrial structure to help finance innovation with the advantages of the small company mentality that encourages it.

But the hard lessons from the past decade of Japanese competition cannot be forgotten. Some volume manufacturers, such as Maho, claim to be ahead of their Japanese competitors technologically, but know they must continue spending heavily to maintain an edge.

Manufacturers of large "flexible manufacturing systems" – computer-controlled clusters of multi-function machine tools – will avoid facing the Japanese head-on and continue with a bespoke approach.

Pier Luigi Zenevre, Mandelli's marketing manager, believes that delivering "a complete solution" to individual customers gives European companies an advantage over the Japanese in Europe's diverse manufacturing environment. But, as ever, the bespoke approach is always more expensive.

Despite the challenges, the European machine tool industry still has plenty going for it. A select band that includes the UK's Colchester Lathe Company has even achieved the ultimate accolade of selling in Japan. To do that, says Martin Johnson, Colchester's sales director, "you need a good product, and you need to try".

WORTH WATCHING

by Della Bradshaw

Colour in the laptop's life

THE growing popularity of portable computers has spurred a number of manufacturers to develop laptop and notebook machines with colour screens.

● AST Research of Irvine, California, has developed a colour notebook that can be powered for two and a half hours on a single battery charge. To enable it to do this the Premium Exec 386SX/25C is fitted with a passive matrix screen, which uses less power than a comparably-sized active matrix screen.

Passive matrix screens incorporate two layers of liquid crystal display material through which light is refracted to each of the pixels, or picture elements. As well as using less power, the screens are slimmer than active matrix ones, and so more suitable for the smaller notebook machines.

● Compaq, of Houston, Texas, has launched a mains-powered colour portable which, it claims, has the largest selection of colours – more than 4,000 – available on a portable. This gives the colour presentation needed for complex applications such as computer aided design.

The fastest chip in the land

ENGINEERS at Glasgow University have developed a semiconductor switch which, they claim, is the fastest in the world.

Operated by intense pulses of laser light lasting just 10 picoseconds – a picosecond is a millionth of a millionth of a second – the switch could open the way to handling 1.2m simultaneous phone conversations or 2,000 television channels.

Researchers at the Department of Electronics and Electrical Engineering say the switch could be speeded up to operate at 10 femtoseconds – one thousandth of the speed of today's device.

Spotting a fault in the cables

MARCONI Instruments of St Albans is claiming a world first with a test instrument based on the Inmos transputer, writes Alan Cane.

Marconi has built the transputer – a 20m instructions per second computer on a chip – into its 6200 Microwave Test Set, a machine used to detect faults in microwave systems. Its uses could include, say, locating a fault in cables running up a microwave transmission mast.

The keys on the front of the 6200 are "soft", that is their function changes according to the use – a function made possible by the huge processing power of the transputer. Images of the keys are displayed on a monitor screen to help identify the correct key for a particular measurement.

Putting humans in the picture

NEURAL network technology, usually reserved for high-powered computer applications, is now being used by Sharp, of Japan, in an automatic exposure system for camcorders.

The system, which can be built into a single chip, is intended to do away with the problem experienced by many video photographers in harsh lighting: when a strong light shines behind a person the face is often in darkness.

In the past this problem has been overcome manually, requiring the "videographer" to adjust the controls. These techniques can now be supplemented by the neural network, which emulates the way humans recognise patterns. Every time an adjustment is made manually, the system "learns" what the adjustment is and under what conditions it was made. This helps ensure that the optimum exposure levels are achieved automatically in the future.

Contacts: AST: US, 714 727 4141; UK, 081 568 4350. Compaq: US, 713 370 0670; UK, 081 332 3000. Glasgow University: UK, 041 339 8855. Marconi Instruments: UK, 0727 59292. Sharp: Japan, 06 621 1221.

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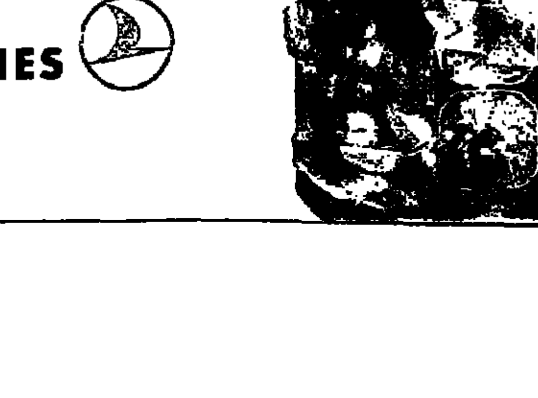

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FINANCIAL TIMES SURVEY

CITY OF LONDON PROPERTY

Friday October 25 1991

The City is suffering a severe decline in property values after becoming glutted with surplus office space. With high vacancy rates and poor demand from the financial sector, a full return to health still appears to be several years away. **Vanessa Houlder** investigates

A picture of poor health

SO the worst came to the worst, after all. As the most expensive building spree in the history of London draws to an end, the handful of critics who predicted that it would end in disaster have been vindicated.

The City is glutted with its highest ever levels of surplus office space and has suffered severe declines in values. The Investment Property Databank, a research body, says that City rents are falling at an annual rate of 14.4 per cent, while capital values are falling at a rate of 25.5 per cent a year.

The problems do not simply reflect the ravages of the recession. True, high interest rates and economic uncertainty have depressed demand. This has been further reduced by a fundamental review of employment levels among City employers, many of which over-expanded in the late 1980s.

However, most important of all, the City is swamped by some 13m sq ft of surplus office space, planned in the heat of the bull market to meet an unsustainable level of demand.

At the time, the logic seemed unassailable. Existing landowners owned ageing, old fashioned buildings which were likely to have problems finding new tenants when existing leases expired. There was little choice, they felt, but to rebuild.

For outsiders, the attractions of building in the City seemed obvious. They saw a market in which more than three-quarters of the offices were built before 1980. They lacked air-conditioning, adequate floor-to-ceiling heights for computer cables or large enough floor spaces to accommodate trading floors.

Up-to-date offices which were large enough to bring together scattered operations would be in strong demand, even if they were built outside the City core, they reasoned. Demand seemed likely to stay strong. Even though the 1987 stock market crash sent out warning signals, bullish analysts reckoned, as late as 1989, that turnover in the world's financial markets would grow by an average of 10 per cent a year to the mid-1990s.

Two factors fanned the flames. Concerned by the threat posed by the rival office developments in the London Docklands, the City relaxed its planning rules in 1986 to allow an additional 20m sq ft of office space. In addition, the banks became aggressive lenders to the industry.

By 1990, it became clear that an unprecedented number of new buildings were under way in the City. However, the advantages that new buildings enjoyed over the City's old fashioned office stock suggested that there would be a two-tier market.

Even if old-fashioned space in the fringes of the City had difficulty attracting tenants, it seemed inconceivable that the gleaming new buildings, resplendent in their polished marble and state-of-the-art technology, would remain empty for long.

It has worked out rather differently. Admittedly, old buildings in poor locations are finding it hard going to find tenants. One old building in the northern fringes of the City is asking just £1 a sq ft in rent.

However, some of the most prominent new buildings to spring up on the skyline are also largely empty. Contrary to expectations, new space is proving just as difficult to let as old. Jones Lang Wootton, chartered surveyors, expects new space to account for over half of the 20 per cent vacancy rate it predicts for next spring.

This disconcerting result stems from the severity of the downturn and the rigid UK lease structure. This problem goes further than just the shortage of businesses wanting to expand. Indeed, there appears to be pent-up demand, in spite of the recession. Moreover, many businesses occupying dilapidated 1970s offices want to move to new offices. These companies may be barred from moving because of the difficulty of disposing of their existing space.

This demand is being pent up because in many cases, companies are barred from moving by the way in which tenants are locked into paying rents that exceed the market rate. This impasse stems from the UK tradition of 25-year leases with upward-only rent reviews, which furthermore, often prevent tenants from sub-letting their space to a new tenant at below market rent. The result of this lease structure may be that many tenants are frustrated in their ambition to move until the market recovers or their lease expires.

This curiously repressive lease structure was a product of a market with tight planning controls in which the landlords had an upper hand. Now that the footloose tenant is in a position to dictate terms, the traditional lease structure is crumbling.

Number one, America Square, at London's Fenchurch Street Station: one of many large new developments in the City

Ashley Ashwood

Many of the deals struck this year have break clauses, which allow the tenant to relinquish the lease after anything from one to 10 years, even though this severely affects the value of the building for an investor.

Break clauses are not the only benefit that tenants have been able to wrench from the landlords. A tenant can expect to pay no rent for the first couple of years and often there will be a capital contribution.

The crucial question for both landlords and tenants is how long this situation will last. There is little consensus on this point, according to a survey of investors carried out by Chesterton Research, chartered surveyors. It found that one-third of investors believed that rental growth would reappear in London in 1993, a further third suggested 1994 and 22 per cent saw no renewal of growth until 1995. There may be few new schemes coming on stream over the next few years (although large schemes are envisaged at Spitalfields and Paternoster Square in the middle of the decade). However, the demand side is largely a matter of guesswork.

It turns largely upon the prospects of the financial services sector. Another important question is that of the impact of the Docklands, which may become a rival to the City by the mid-decade, when many of its transport problems should be overcome.

There are questions about the security of London's position as the world's third financial centre. Will foreign companies continue to flock to the capital? Or can London no longer rely on new institutions as a source of significant expansion, as a report on foreign banks by the London Chamber of Commerce recently stated.

Will the litany of complaints about London's creaking infrastructure seriously deter businesses? Or will the fall in City rents stop the trend for companies to relocate out of London and help it compete against Paris, Berlin and Frankfurt?

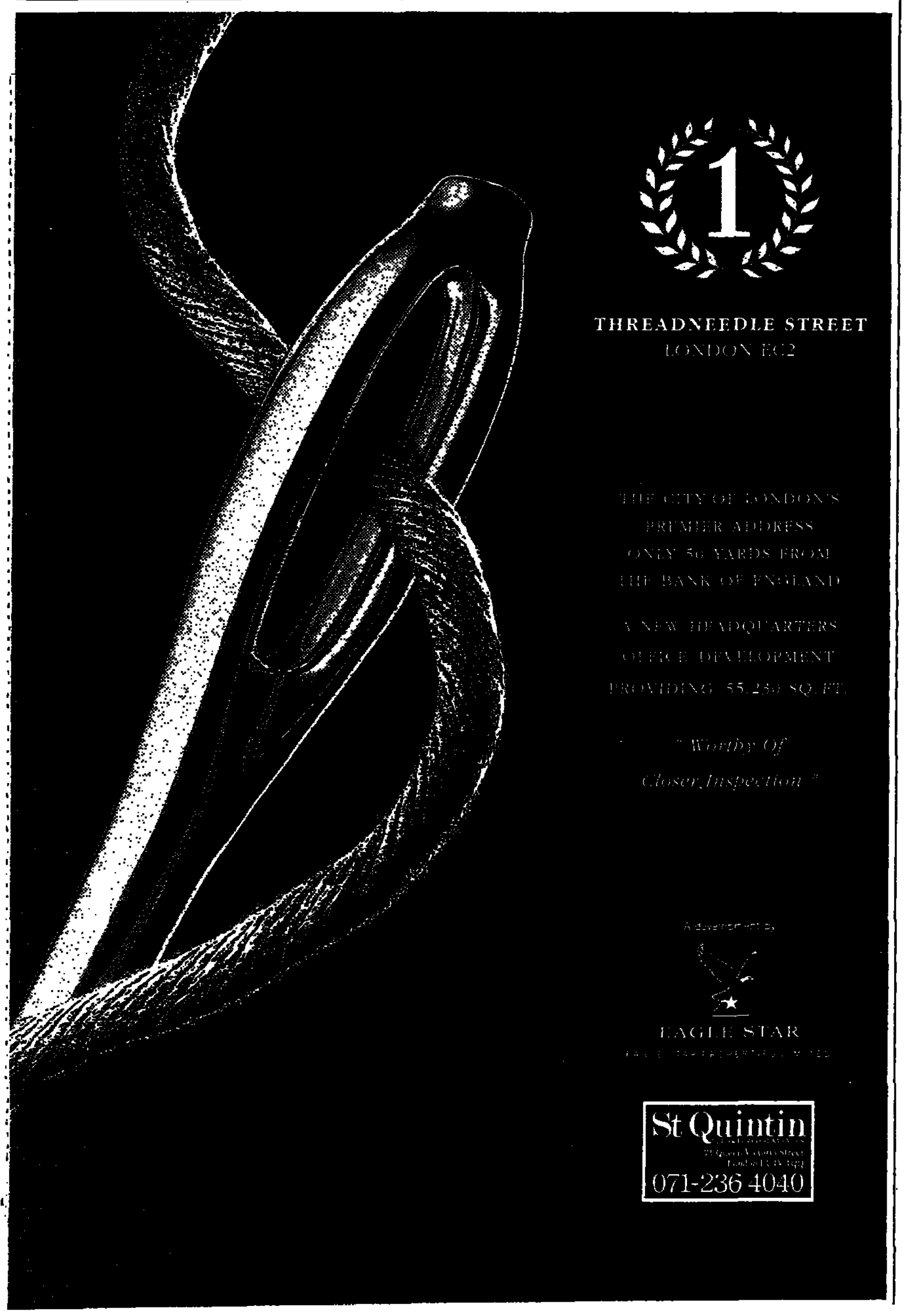
The anxiety about London's competitive position may well be overdone. So too, perhaps, may the concern about the geographical expansion of the City, as a result of the development of the fringes and the Docklands. City institutions may be prepared to pay handsomely to keep their front offices in the most central locations.

However, the City's record of growth, even before it burst through its traditional boundaries, is not necessarily comforting. Even at the height of the recent boom, real rents for prime City office space were just 70 per cent of the level at which they peaked in 1973.

For all the doubts, life is starting to come back to the City's investment market. Even in 1990, institutional investors committed an additional £130m to the City office sector, in contrast to the rest of London where they have been disinvesting heavily. As the gap between yields of City property and long-dated UK gilts narrowed, buildings with high yields and good covenants have become attractive. So much so, that competition can be fierce for the few buildings of this type that become available.

Chesterton Research's investor survey suggests that substantial net investment in London offices is unlikely to return until 1993. By then, the increased demand and the slowdown in new supply, should create some upward pressures on property prices in London as a whole.

However, twice as many investors are interested in the West End as the City and they want to sell their buildings in the City rather than the West End. As the recovery of the City market lags behind the rest of London, a full return to health still appears to be several years away.



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CITY OF LONDON PROPERTY 2

PLANNING

A blueprint for the next century

THE Unitary Development Plan for the City, which will lay down a framework for planning into the next century, is on schedule for publication on November 15. But don't hold your breath.

The amendments to the June draft, which were due to be laid before the Court of Common Council of the City corporation last night, are relatively minor affairs. According to Mr Peter Rees, the chief planning officer: "We were mostly turning screws and tightening bolts."

That said, the 113 individuals and organisations who submitted criticisms, comments, complaints and ideas to the planners during the public consultation period in July, did not waste their breath.

Much of the subtlety of the Unitary Development Plan lies in what is not said – and why. At the very least, the public questioning teased out some threads in that process.

For example, Docklands is scarcely mentioned in the entire document.

Mr Rees first parries by saying that he has no authority to mention the activities and plans of another London district. "In the absence of a strategic plan for London we must make our plans borough by borough," he says, declining to reveal his attitude to the lack of a plan for London.

Questioners were left in no doubt that the City dismisses the notion that Docklands is the fox which will carry off its financial services chickens. "The financial community has shown little appetite for moving to Docklands despite the attractive rents," says Mr Rees.

"Docklands plays an important part in providing jobs and houses for London. It does not threaten the City's role to service the financial community."

That reasoning lies behind the fact that the Unitary Development Plan will simply copy the existing local plan's provision for a further 20m sq ft of office space in the City, as and when the market allows.

The City of London Local Plan is a relatively recent document, and itself a product of extensive public consultation and heart searching. The Unitary Development Plan, which is to succeed it, only needs in the main to incorporate the separate Smithfields plan to meet the government's new requirements.

That relatively simple task justifies Mr Rees's view that he and his staff have been mostly fine tuning. "We think we had the local plan about right," he says.

Not all his critics will fall silent as a result. Plot ratios are a constant bone of contention between planners and developers worldwide.

Mr Rees will not have won many new developer friends by deciding that plot ratios must come down slightly to 5:1, including rooftop installations. He is unrepentant. Building bulk (not density), including the proliferation of plant which tends to sprout from rooftops, must be controlled if the character and environment of the City is to be maintained, he says.

As for height restrictions (another frequent complaint from the commercial sector) Mr Rees dismisses them as a myth.

"Outside the Height Limitation Areas designated to preserve the eight strategic London views, we have no policy objection to tall buildings. They will be treated on their merits."

(However, does Mr Rees give the lie to that expression of objectivity by the following aside? "Property is all about location, location and location. If you are down the river at Canary Wharf you probably need to build an 800 ft tower. If you are in the City you have already arrived. There is no need to make a further point.")

Skyscraper developers are not concerned with rebuilding the City as a mini-Manhattan. They want their own building to stand out as a landmark, dwarfing its neighbours. The planners have more established landmarks to worry about.

At the beginning of this month the government confirmed the eighth (and probably last) Strategic London View: from Blackheath to the area around St Pauls.

Fortunately this, together with the widening of the Westminster Pier view and the narrowing of that from Richmond, came just in time for inclusion in the draft Unitary Development Plan.

More interesting is the entire chapter devoted to the Thames and the riverside, the first time planners have recognised its importance as historical monument, open space, artery, tourist attraction and sheer joy.

The emphasis on enhancing and preserving the river at the centre of City life is only part of a thorough-going conversion to environmentalism which pervades the Unitary Development Plan. For example: no public comment was needed to persuade the planners that they should adopt a policy of resisting the use of vacant sites as car parks, among the City's more persistent eyesores.

However, sceptics will still harbour doubts about the practical commitment to environmental concerns.

Mr Rees describes the Riverside Walk as 80 per cent achieved, with Billingsgate and the Thames Exchange open to the river and the Vintry House path under construction. But critics note the intractable thickets remaining.

If the City of London Corporation cannot persuade the Customs House to open its frontage, they argue, why should we believe it will try harder with the owners of Sugar Quays, Three Quays or Bull Wharf?

Important though environmental matters are, the City fathers' town plan will run into much more flak over less obvious headlands. More heat than light has been engendered over the policy that office space should normally be confined to first floor and above with the ground floor and street frontage kept for more retail-oriented operations.

Free marketeers object vociferously to the presumption in favour of mixed use developments as an infringement on the demands of the market, even in the Smithfields enclave. For their part the planners have fought back by refusing to do a Covent Garden. The meat market stays, with funds to improve and safeguard it.

So long as the corporation resists complacency about the Docklands threat from the east, gives the financial community the flexibility to respond to changing markets, and backs them up with facilities which will make the City of London a pleasure to work in and visit, this plan will make a sound blueprint for the millennium.

It deserves to be supported by the Court of Common Council. And then ... it deserves to be put into practice. Or is that too Utopian?

Christine Moir

SUPPLY & DEMAND

Conservative estimates may not be cautious enough

WHEN EVEN litigants baulk at climbing rickety back street staircases to meet their solicitors, what future is there for the City's last bastions of Dickensian gloom?

Dingy third-floor office suites were always considered lawyers' natural habitat, but even they have been seduced by information technology and the whims of clients into demanding high specification, modern premises.

No wonder estate agents, viewing the 7m sq ft or so of old office space vacant in the City of London despair of letting much of it.

Certainly there seems little chance in the medium term of tenants being forced to accept sub-standard, old premises by a shortage of good quality, modern offices available to rent at moderate cost.

Precise figures vary from agent to agent but the amount of new space on the market is

Some two-thirds of the current planning permissions have been outstanding for more than three years

probably no lower than the total for second hand property and the very large number of developments under construction will swell the total further.

Available new office space in the City increased by 1m sq ft in the third quarter of this year alone. Another 3.58m sq ft under construction will be completed between now and next August with a further 14.35m sq ft of outstanding planning permissions in the area, says Mr Kevin Clarke, an investment partner at Jones Lang Wootton, the chartered surveyors.

Even if only a minority of the plans get off the drawing board, "supply will get worse before it gets better. The take up of available space and that under construction will go on throughout 1992, 1993 and into 1994," concludes Mr Clarke.

Unfortunately, even Mr Clarke's conservative forecasts may not be cautious enough. There are grounds for doubting that 1994 will see the end of the City's current over-supply of high quality modern accommodation.

Forecasting take-up rates is difficult. Just one or two clients with large requirements can distort the figures and it is impossible to estimate how long a deal will take from offer to completion. But the greatest difficulty is in judging the amount of space poised to come under offer especially when, as now, the market has suddenly adjusted to a much slower tempo.

In 1989, JLW estimates take-up to have been 4.6m sq ft. Last year, the figure was 4m, in spite of the first signs that recession-hit tenants were deferring decisions to move. Even at the beginning of this year, take-up seemed likely to be 3m sq ft, a subdued but not disastrous figure.

Alas, the total for the first nine months did not reach 2.2m and the year as a whole will only top 2.5m if solicitors complete processing the 350,000 sq ft of Deloitte/Rosehaugh/Stanhope's Ludgate Circus scheme said to be under offer.

Next year's take-up will prove equally difficult to predict. For example, having backed out of Charing Place (and presumably this year's take-up lists) the European Bank for Reconstruction and Development is expected to be one of the big movers in 1992. But its size requirements are still unknown and there is a chance that it may be seduced outside the City boundaries by a tasty West End trophy or even an exceptional bargain along the eastern corridor.

It is too soon for the developers of Broadgate, 60 London Wall or Alban Gate to believe their long wait is over just because they represent the only potential market for tenants looking for a self-contained headquarters of more than 200,000 sq ft.

With a guess that take-up next year will be no worse than this, Mr Clarke is prepared to wager that vacancy levels next spring will be higher than today, perhaps nudging 20 per cent. New space will account for as much as 12 percentage points of that, he says. That would amount to US-style vacancy levels which have been unheard of in the City since the Second World War.

How reliable are the figures? Several firms of agents produce quarterly figures for supply and demand in the City, and at first glance they are scarcely compatible. Even the figure for the basic stock of buildings is in dispute. Weatherall Green & Smith give 66.4m sq ft; Baker Harris Saunders 69m sq ft; Debenham Tewson & Chinnocks in excess of 70m sq ft; and JLW, 80m sq ft.

Part of the discrepancies can

Available new office space in the City increased by 1m sq ft in the third quarter of this year alone

be smoothed out by allowing for different boundaries to the City. Some stick to the four postal districts of EC1-EC4; others take in some parts of E1 or WC1 and WC2 and a slice of the south bank of the river between, say, Waterloo Bridge and Tower Bridge. JLW's region is predictably the widest ranging.

However, significant differences still remain due to different core sources. Debenhams has access to the Cluster database of the local authorities, which is updated every five years. In between, the firm obtains information from APR, one of a number of independent property information suppliers, as well as scanning planning registers on its own account.

Many other agents have cho-

The greatest difficulty is in judging the amount of space that is poised to come under offer

sen not to tap into Cluster and/or use different interim information providers.

If stock figures vary so much, it is hardly surprising that figures on supply are even more contentious. Agents do not even agree about the definition of availability. Does it mean space ready to walk into today, or in six months, or even 12 months? Does it include property under offer where contracts have not been exchanged?

Once again there is no common source of information. Weatheralls is circularised by the Estate Agents Clearing House, another commercial information supplier, with estate agents' particulars. It supplements that data, on a daily basis, with information it gleans from its own contacts and through the Press. Debenhams relies mainly on direct agent-to-agent contact.

Yet there is a surprising consensus about the vacancy rate, the figure which indicates the true health of the market. All the recent third quarter surveys confirm that vacancies in the City are running at a hitherto unknown level of between 17 per cent and 18 per cent.

If Mr Clarke's New Year forecast of a 20 per cent vacancy rate, with new property accounting for between 10 per cent and 12 per cent prove accurate , his longer-term forecasts will gain in credibility. Thankfully, they are more encouraging. By early 1993, he believes, the amount of new space in the vacancy totals will have fallen back to between 7 and 8 percentage points.

Further out, equilibrium will be reached once the overhang of planning permissions is reduced. Two-thirds of the current permissions have been outstanding for more than three years. They will expire in two more. In the past quarter construction has not begun on any of them.

There may be further consolation for those with either very small or outsize projects coming to market. One-third of those tenants whose space requirements are known, are looking for units over 200,000 sq ft. A quarter are looking for under 25,000 sq ft.

None of this offers any comfort for the agents whose thankless task is to try to flog the old walk-ups vacated by the legal profession. The EC4 district, which harbours many of them, cannot even fall back on the old Fleet Street fringe of small PR consultancies and magazine publishers. Like the great national titles they too have dispersed.

Christine Moir

Talk of rapid decline may spark new development strategies, writes **David Lawson**

The capital that has much to fear

LONDONERS WILL identify closely with a Welsh rugby team dumped ignominiously out of the World Cup.

Fears of a similarly swift decline from sublime to the ridiculous hang like a shadow over the City. Bankers mutter about the counter-attractions of Frankfurt and Paris; overseas investors have gone into hibernation; even home-grown companies eye prospects of escaping to the provinces.

The deepest property recession in memory will be the more devastating if London follows the Welsh, forced to prequalify among the minnows of its own international competition for tenants. Cracks in the image of an unassailable leader in the league of world financial centres emerged during the good years. Soaring occupation costs, overloaded transport and an increasingly uncertain planning system began to tarnish London's reputation. Costs have subsided, but they have been followed downwards by the quality of life.

The City, in particular, has much to fear. International bankers make up the bulk of its business. They are attracted by relatively liberal regulations and are increasingly vociferous about the decline.

"London can no longer rely on new institutions as a source of significant expansion," says a gloomy report by the UK capital's Chamber of Commerce which tested the views of more than 100 foreign banks. The City must concentrate instead on holding on to what it has in competition with cities such as

'In the short term, London's world city status is secure. However, in the medium term, both Paris and the German cities could pose a great threat if development strategies improve their competitive position'

New York, Frankfurt and Paris.

Such pessimism is understandable when an economic slump emphasises the parlous state of an outmoded infrastructure and under-funded local services. But not everyone feels that way. More than 500 of Europe's top companies recently voted London the best business location for the second year in succession.

"The majority also feel it will emerge in five years as the most important financial centre, with an increased lead over Frankfurt, its closest rival," says Healey & Baker, the property consultants which commissioned the research.

Leading companies are still consolidating in London. The tide of empty space and clogged transport arteries did not prevent Daiwa Securities, one of the world's largest brokerage houses, from battling to build a futuristic 350,000 sq ft office complex. "Daiwa has enjoyed a long and successful relationship with the City and our London headquarters is the lynch-pin of an 18-office European network," says Mr Nicholas Clegg, co-chairman of Daiwa Europe.

The capital's supporters do recognise its glaring faults. "In the short term, London's world city status is secure. However, in the medium term, both Paris and the German cities could pose a great threat if development strategies improve their competitive position," says Mr Ian Reid of Richard Ellis, which helped carry out a fundamental reassessment of its future for the London Planning Advisory Committee.

One common cry has even moved the Tories to perform an awkward and embarrassing political U-turn. London must have a coherent development strategy run by a body which covers the city, say both supporters and critics. Ministers have promised such a move if they return to power – providing they can avoid recreating the politically dangerous Greater London Council they abolished in the 1980s.

"London is the only city, with the notable exception of New York, which does not have a mandatory, comprehensive central or regional government-backed strategy for its future development," says Richard Ellis.

This has helped overload infrastructure and reduced the quality of life. Even within the UK, centrally-controlled secondary centres, such as Birmingham, must look on the squabbles between central London boroughs with bemusement. Each of the capital's councils has been ordered by Westminster to produce a new development plan. Co-operation is grudging and parochial issues take precedence.

"Strategic principles are not invariably acknowledged or interpreted as intended, nor are plans co-ordinated effectively to achieve visions and strategic objectives," says the London Planning Advisory Committee, the nearest thing to a unitary body for the city – but one with little power.

Whether a London-wide authority could be devised with the teeth to bite into such problems may hang on the result of the coming elections. The Tories will dig in their

Continued on next page

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CITY OF LONDON PROPERTY 3

■PROFILE: Scottish Widows

Swimming against a tide

THE MAJORITY of UK institutions have steered well clear of City of London property and most other areas of the UK property market over the last couple of years.

Not so Scottish Widows.

This summer saw the completion of the fund's flagship City office development, the 241,000 sq ft, 60 London Wall. This was followed in the autumn by Three Quays House, next to the Tower of London, its largest single acquisition, for which it paid £28.5m. And there is more to come, according to Mr Andrew Winskell, Scottish Widows' property investment manager. The company was recently outbid on a couple of City buildings but it is in advanced negotiations on others.

At the end of last year Scottish Widows' total property portfolio, which includes property from three separate funds, was valued at £1bn. Some 20 per cent of that was accounted for by holdings in the City of London. Mr Winskell, who has spent more than £150m on property this year, is hoping for an increase to about £1.26bn by the end of the year. This would include 60 London Wall which has been valued at the lower of net realisable proceeds or cost while under development.

A great deal of that cost is historic. Scottish Widows' involvement with the site goes back as far as July 1951 when it bought the freehold of 20 Copthall Avenue and 57 London Wall for £132,000. Rental income was £1,378 a year; fixed until 1978. This purchase formed the main chunk of the current 1.3-acre site. And, over the years to 1983, further buildings were acquired.

Redevelopment was first considered in the early 1970s – and rejected as unviable. So, as the reversions of 1978 passed, some limited refurbishment was carried out and leases renegotiated. By 1988 the various buildings housed 61 tenants some with leases inside the Landlord and Tenant Act, and others outside it. But, with one noteable exception, the leases expired – or were subject to redevelopment break clauses – in 1988.

The odd tenant was Banco Exterier SA, the Spanish bank which occupied 60-61 London Wall, now the site of the entrance to the new building. Scottish Widows held the freehold but the bank held a 99-year lease which dated from the 1940s and the bank was not interested in being bought out. However, it did indicate that it would be prepared to

> It is not a question of whether or not to buy but rather a question of timing and pricing

leave amicably if it could be painlessly relocated to another building in the City of similar quality and on similar terms.

This was going to be an expensive and time-consuming exercise for Scottish Widows. While the fund was working out the financial implications it submitted two planning applications for the site – one including 60-61 and the other for the remainder of the site.

Scottish Widows bought the head lease on 9-12 King Street and moved in the bank on a 125-year lease on "favourable terms". It looked after "everything, down to buying new waste paper bins and desks".

With the development ready to start in 1988, there were emerging doubts about the short-term prospects for the City office market. Mr Winskell admits he was faced with two choices – to serve notice on the tenants and go ahead or to shelve the project for 10 years. The decision to proceed was taken for several reasons.

There was the planning aspect to be considered. Changes in the rules by which plot ratios are calculated were mooted. These would mean that by being obliged to enclose the roof plant, an entire 40,000 sq ft floor would have been lost.

In addition, even in a fully supplied market, Mr Winskell reckoned that buildings of this size and quality would be in limited supply and should command a premium rent and yield. The two-tier market was becoming increasingly apparent and many of the existing tenants whose leases were expiring or who had break clauses would have moved out to better space leaving Scottish Widows with the headache of re-letting.

Number 60, London Wall: external elevations finished in Portland stone with polished granite on the ground floor

There is no doubt that the finished building is impressive. It was designed by Fitzroy Robinson and its external elevations are finished in Portland stone with polished granite on the ground floor. The entrance foyer boasts specially-commissioned hand-painted drapes that have a Scottish theme and a controversial work by William Turnbull, the Scottish sculptor.

The building went up fast. The 100-week contract was completed on time with a construction cost of about £55m, on budget. The virtually obligatory archaeological excavation, sponsored by the developer and carried out by the Museum of London was incorporated into the programme without causing delay.

Jones Lang Wootton, the development manager, attributes the speed and smooth

> At the end of last year, Scottish Widows' total property portfolio was valued at £1bn

running of construction to the fact that contractor Laing London was brought in early in the design process ensuring that advice on "buildability" was available from the start.

Jones Lang Wootton, the letting agents as well as valuers to Scottish Widows, are quoting a rent of £49 a sq ft per year – free of VAT which Mr Winskell considers a plus factor with tenants most likely to come from the financial sector and unable to reclaim the tax.

Another plus is the improvement in the location over the last few years. Five years ago this part of London Wall could have been considered almost fringe. New Broadgate has had the effect of stretching the prime City core area. The prominence of Finsbury Circus, which the building overlooks, has increased – particularly since both Fuji Bank and Bank of Tokyo opted for space there.

However, achieving a letting in today's market will be hard work.

Mr Winskell stresses that Scottish Widows is a long-term investor and the City – which he considers one of the top three world locations – will continue to be an important market in the medium and longer term. It is not, he maintains, a question of whether or not to buy but rather a question of timing and pricing.

The Three Quays House purchase – at a reported yield of 7.75 per cent – is a case in point. The leases expire in 1997. It should then, he reckons, present a very attractive redevelopment proposition.

As some of the more cautious UK institutions tip-toe back into the market (there is evidence that some of the pension funds are looking to do just that) they may find that some of the better buys have gone – to Mr Winskell and the very few of his equally bold contracyclical Scottish colleagues.

Anne Steadman

INVESTMENT: there are a few signs of life in the dormant beast. **Anne Steadman** reports

Overseas buyers dominate the market

AT LAST there is a general feeling in the City property investment market that if it has not yet reached the bottom then it is pretty close to it. The market is more active than it has been for the last two years, according to most reports.

However, in terms of money changing hands, 1991 is almost certain to be down on last year. But there are likely to be more individual transactions.

Jones Lang Wootton, chartered surveyors, forecasts that City property investment transactions will amount to between £1.34bn-£1.35bn in 1991. This compares with totals of £2.5bn and £1.84bn for 1989 and 1990 respectively. The firm's Mr Kevin Clarke estimates that up to the end of September this year, the running total had reached £1.04bn but he is sticking with the forecast figure which, he says, can be achieved.

There are quite a few deals under serious negotiation where completion dates lie in the lap of the gods and/or various solicitors, he says.

The number of investment transactions last year was just under 60. So far this year there have been 48. But last year's figures should just about be matched or bettered by the end of the year, he says. However, individual lot size is down by 15-20 per cent.

Overseas buyers still dominate the market. Jones Lang Wootton says the ratio of overseas to domestic investors is four to one. The Germans have been particularly prominent since the relaxation of the regulations relating to overseas investment by certain institutions. In one of the larger deals this year, Deutsche Gesellschaft für Immobilienfonds (DEGI) bought Lloyds Chambers for £72m from Norwich Union Life. DEGI manages the largest open-ended German property fund with assets reputed to be worth more than £1.75bn.

Dutch and French pension funds have been buying property. And Middle Eastern investors are back in the market which only happens in times of high yields, says Mr Tony McCurley of Knight

> Some pension funds are beginning to move back into the market after a long absence

Frank & Rutley, the chartered surveyors.

Although the Japanese hit the headlines with Nippon Life's purchase of a 50 per cent stake of George Wimpey's Lille Britain development for £110m in August, it was known that the deal had been in the pipeline for over a year. Japanese activity is down – probably accounting for the fall in average lot sizes. The Japanese have traditionally gone for very large prime buildings. However, there is a feeling from Japan that London is looking cheap, says Mr John Slade of Richard Ellis, chartered surveyors. And they may return.

It seems generally agreed that yields have now moved out as far as they are likely to. Richard Ellis considers that prime yield has moved from 4.5 per cent to 6 per cent. Not-so-prime yields from 6 per cent to about 8 per cent. But there is no such agreement on rents – except that they still have some way to fall.

There is no doubt that some investments that have changed hands are let at higher than market rents. This over-renting makes life a little difficult for valuers who must decide just how much of the rent is over the market rate and then how to discount it and it makes nonsense of a few reported initial buying yields. It has also led to buyers' insistence on strong covenants. Their rationale is as follows: the building may be over-rented and the initial running yield misleading. But the income is secure. And, even if there are only negligible prospects of rental growth at the next two reviews, growth is bound to occur eventually.

In addition, yields on some City properties are approaching those on government bonds (about 9.5 per cent) which offer no growth at all and property could be seen as an attractive alternative to gilts in the medium term.

London has been seen as expensive in property terms when compared with other European cities. But the gap has all but closed. City rents at £45 a sq ft compare with £47 a sq ft in Paris and £36.75 a sq ft in Frankfurt, according to Richard Ellis. Paris yields have moved out towards 5 per cent from 4 per cent while yields in Frankfurt stand at about 4 per cent.

More telling is the capital comparison. Jones Lang Wootton cites the following figures: City of London, Ecu12,900 per sq metre; Paris's Golden Triangle, Ecu12,400 and Frankfurt Ecu11,400. A couple of years ago, points out Mr Clarke, rents in Paris would probably have been about 55 per cent of those in the City.

It looks as if some of the UK institutions have also decided that City property is at or near the bottom – and will not be any cheaper in six months time. The UK insurance companies with their well-publicised problems with the insurance business are still net sellers. But some UK pension funds are beginning to move back into the market after a considerable absence.

There are plenty of buyers. The only problem for the estate agents is that, in the main,

> The market is more active than it has been for the last two years, say most reports

they are all looking for a similar type of property – decent quality, rather than so-called trophy buildings, let to rock-solid tenants at good yields. There are not too many of these buildings available. Few owners of buildings that meet the criteria are likely to be looking to sell at this point in the cycle – not even the banks which it was feared may start to unload those properties acquired by default from the recession's considerable crop of casualties.

Mr John Coventry of Hillier Parker, the estate agents, reckons that though many of the banks are reluctant landlords – and some will take advantage of current conditions – most are aware that by embarking on wholesale disposal programmes they risk "cutting their own throats" by killing the market.

> The number of investment transactions last year was just under 60

To a great extent the health of the City property investment market is dependent on confidence in the national economy. That confidence, in spite of a few cautiously positive indications and the blandishments of the government, is still precarious according to Mr Slade. He considers that investors are discounting any further falls in the City market in the prices that they are paying.

Even so, sellers are still having to be realistic in their aspirations. Prices may have stabilised but they have yet to start to edge up. Not so realistic were the aptly named vulture funds set up with the intention of picking up good real estate from distressed sellers at indecorously low prices. In the event, few were forced to sell to them and most have gone away empty handed. Not a City tear has been shed over their departure.

Fears of a swift decline

Continued from previous page

heels against a return to the old GLC. Labour would be happy to refill the former County Hall offices - which ironically still stand empty, a reminder of the great property crash.

Mr Mark Fisher, the shadow arts minister, is quietly drawing up grandiose plans for the future with eclectic architect Sir Richard Rodgers which by their very scale would demand an overall planning body.

Once this tier of authority was back in place, London's traditional strengths would show through in its competition with rivals such as Frankfurt and Paris, says the Chamber of Commerce.

Foreign banks have been drawn to the City because of its good telecommunications, skilled labour force and access to large markets.

The advantages of an international language, central time-zone position, strong currency and stable political environment further underpin the position as financial capital of Europe, according to Mr Colin Hargreaves of Healey & Baker, the chartered surveyors.

However, image can overshadow fact. London's

> Canary Wharf's dominant image is of remoteness which still puts off potential tenants

strengths are slowly being engulfed by more obvious weaknesses such as clogged roads and decrepit railways. Olympia & York, the property developers, have shouted until blue in the face about Canary Wharf's superbly efficient buildings, low rents and pleasant waterfront surroundings in the Docklands. All true, but the dominant image is of remoteness, which continues to put off potential tenants.

The City may suffer the same problem in years to come.

Individual studies show the advantages of high-quality developments such as Broadgate over their rivals in other world cities. But these compete against decisions made from opinions formed in Tokyo, New York – or on a car-choked M4 travelling in from Heathrow.

When the revival comes, it seems likely that such schemes will be the first to let because they offer a quality that tenants demand.

Even the Canary Wharf development may surprise an army of cynics by the speed at which the remaining space will fill during the next couple of years. But that relies on London remaining high on the international pick-list and that could require a new attitude towards investing in London's fabric.

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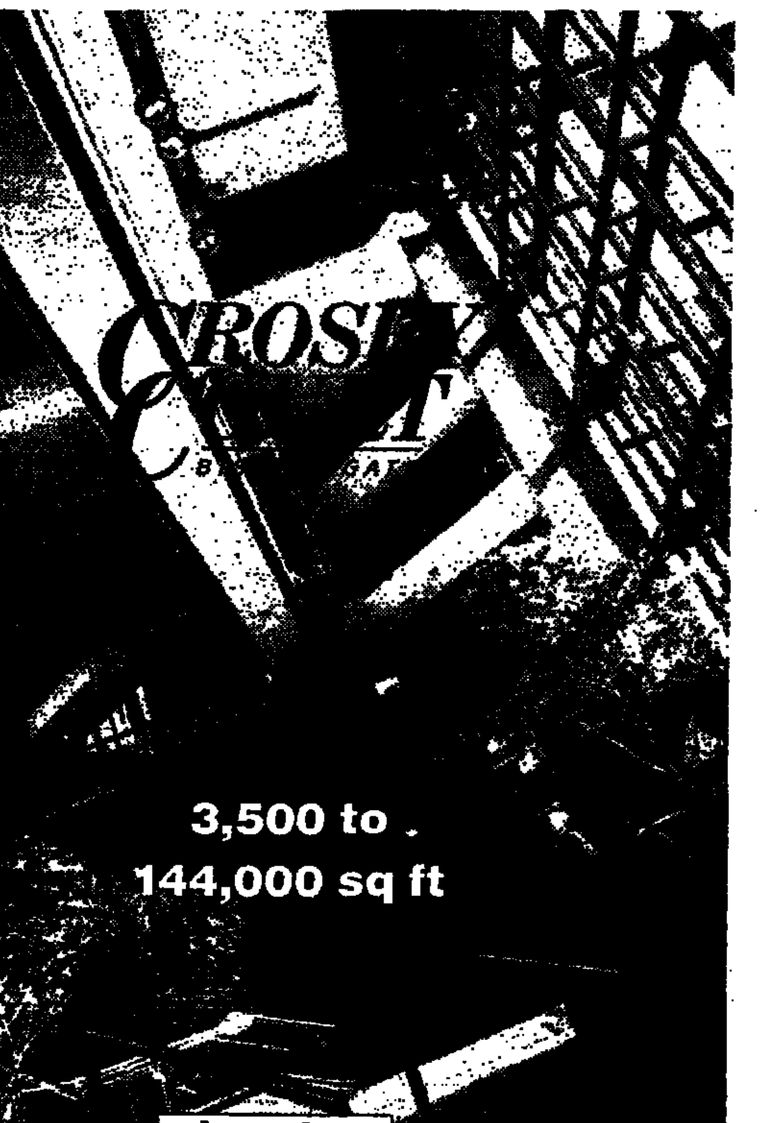

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THE PROPERTY MARKET

The rise of Spitalfields Mark II

By Vanessa Houlder

Mr Peter Beckwith, a 46-year-old lawyer who came to prominence in the 1980s property boom, surveys the deserted Spitalfields market from a fourth-floor office, and expounds his vision for this historic area of east London.

In one corner, around a cluster of listed buildings and huddled under a remaining fragment of the market's pitched roof, he envisages shops, cafés, pubs and restaurants – "a little bit like Covent Garden". On the rest of the 12-acre site, there will be 165 flats and 14 other separate buildings providing 1.1m sq ft of office space.

Mr Beckwith has the relaxed air appropriate for someone who sold his property company London & Edinburgh Trust (LET) for £500m – at a personal gain of some £40m – to SPP, Sweden's largest insurance company, in April 1990 just before the UK property market went into free fall. He agreed to stay on for three-years to manage the company.

It is not just Mr Beckwith's manner that is reminiscent of the pre-crash property market. He runs through the arguments in favour of large City developments that were endlessly recited before the City became glutted with large, unwanted office buildings. He talks, for instance, about the prevalence of 1950s and 1960s office buildings and the importance of attractive offices for employers struggling to attract scarce staff.

Pointing to an aerial photograph of the City, he also recites the argument in favour of expanding the City's boundaries. If the Broadgate project drew stockbrokers to the eastern fringes of the City, a development like Spitalfields could draw them even further, he reasons.

In one sense there is a feeling of *déjà vu* in the re-emergence of the Spitalfields project. LET, the property company built up by Mr Beckwith and his younger brother John, started working on the project seven years ago and originally expected it to be completed last October.

It was a complex project, which involved moving the old fruit and vegetable market to a new site at Temple Mills, Hackney Marshes. The real stumbling block was planning permission, which provoked a heated debate culminating in a decision by Mr Chris Patten, environment secretary, to call in the proposals a year ago.

The old scheme, designed by Swanke Hayden Connell, a US firm of architects, was criticsed by architectural and community groups for being too bulky and insensitive.

Mr Beckwith describes the new plan, by Benjamin Thompson and Associates, as less monolithic. There will be 16 buildings, by different architects, including a 16-storey glass and steel tower on Bishopsgate designed by Sir Norman Foster.

"It is not like Paternoster – out and out pastiche," he says dismissively. "It is modern artists doing their own thing – a much more varied range of styles."

Even though Mr Beckwith is confident of getting approval for the scheme, many property analysts are sceptical about the feasibility of a £1bn project in a market suffering severe declines in rents and capital values. Mr Beckwith believes that by the time the first building is completed, in 1995 or 1996, the surplus space will be taken up in the City.

He also expects to have an advantage over rival developers when it comes to financing the project. It has robust partners in BICC and Costain, and SPP will provide LET with 100 per cent equity funds.

Thanks to its rich parent Spitalfields is not the only project LET can undertake. Last December, it was given the go-ahead to rebuild the Bull Ring, Birmingham's 1960s city centre complex, and it is involved in several other schemes.

The real focus of LET's attention nevertheless is overseas. SPP wants to invest a further £1½bn. Mr Beckwith expects to channel the money into developments in France, Italy and Germany (although he thinks that the overheated Berlin market may be due for a crash). He is also enthusiastic about making acquisitions in some of the most over-supplied markets in the world – California, Boston and Washington.

LET, which has long had half its portfolio overseas, also has holdings in Hong Kong, Singapore, Malaysia, Thailand, and Indonesia. Despite the dangers of having such a far-flung business empire, Mr Beckwith feels secure in doing business with strong local partners.

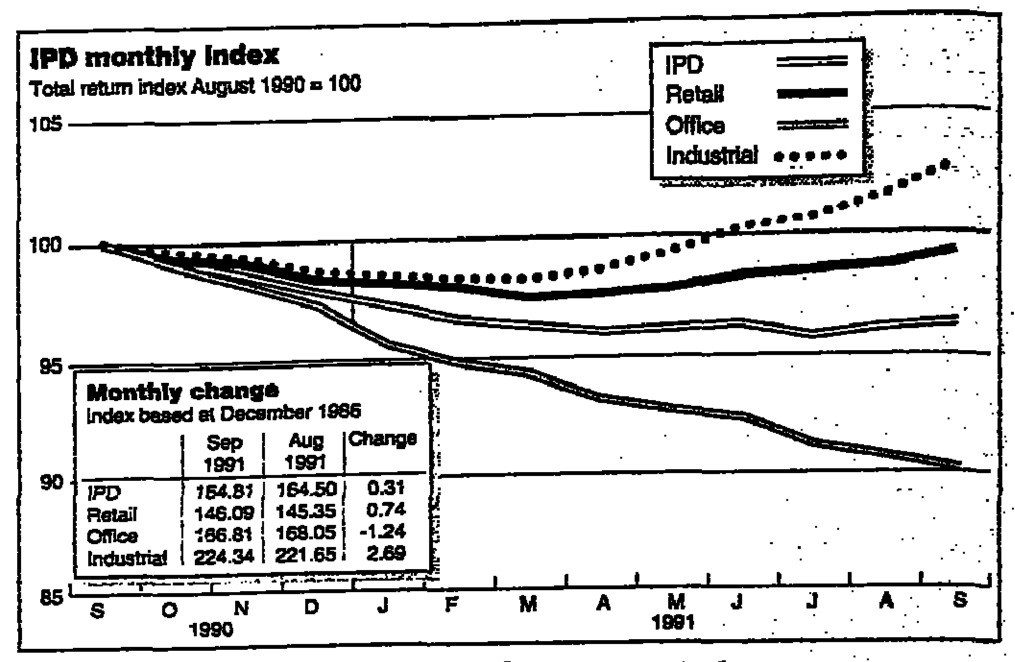
Just to add to the international dimension, the Beckwiths have set up a £75m fund, Germany City Estates, that has invested in German offices. It will soon launch a pathfinder prospectus to raise up to $200m for a similar fund in Italy.

Having a degree of independence and working for a rich parent company puts the brothers in what Mr Beckwith calls "a very nice position".

The golden handcuffs tying the Beckwith brothers to SPP only come off in June 1993 but Mr Beckwith plays down the idea that he will then leave the company. He says he is too young to play golf all day, and shudders at the thought of starting afresh in property development. The notion of using 100 per cent equity to fund developments could, he believes, make a developer slightly lazy. "Borrowing money loses you sleep," he says. It is a point on which he is well-qualified to comment. In the crash of the early 1970s, the Beckwiths' fledgling property company, on which they had given personal guarantees, went £3m into the red and it took three years to pay it off.

LET's free-wheeling style differs from that of SPP, which had never sold a building before it became involved with the Beckwiths. While the gain to the Beckwiths from SPP is clear, the rewards for SPP of buying LET when it did are not yet so obvious. In March, LET announced that its pre-tax profits, at £35.1m, were just under half the figure of a year before.

Mr Beckwith suggests that SPP takes a sanguine view. "SPP is not going around crowing about it," he says. "On the other hand, its overseas investments have performed a great deal better than its Swedish investments."



	Sep 1991	Aug 1991	Change
IPD	164.81	164.50	0.31
Retail	146.09	145.35	0.74
Office	166.81	168.05	-1.24
Industrial	224.34	221.65	2.69

Improvement in total returns

THE rental values of commercial property have continued to drift downwards and now show their worst ever year-on-year result, according to the Investment Property Databank's monthly index, writes Vanessa Houlder.

However the year-on-year total returns show further improvement and now stand at −3.8 per cent to September. Yields, though not yet falling, have been stable at between 9.6 and 9.7 per cent since spring.

The IPD's figures for the quarter to September show a similar result to June's quarter, with total returns remaining at −0.1 per cent. Capital values dropped marginally, while rental values improved by 0.2 of a percentage point.

The sector results showed little difference between the June and September quarters. Industrial property continued to outperform retail and office property, by producing a total return of 2.6 per cent, up 0.5 per cent.

Retail property also showed an improvement over the previous quarter, albeit a slight one.

Offices were, once again, the worst sector; the quarterly total returns for September have fallen since June from −2.1 to −2.4 per cent. In September, the total return for the office sector dropped by 0.3 of a percentage point to −0.7 per cent.

The industrial sector showed further improvement in September when its total return increased to 1.2 per cent, the highest total return this year. Capital values grew by 0.5 per cent, while rental values dropped by a further −0.1 per cent.

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ARTS

Crafted with talent, not skilled to death

Susan Moore visits the inaugural show at the Craft Council's new premises

"An artistic imagination coupled with skill is talent. Skill without imagination is craftsmanship and gives us many useful objects such as wickerwork picnic baskets. Imagination without skill gives us modern art." Tom Stoppard, Discues.

That is the task – or is it test? – which guest curator Peter Dormer, a Stoppard fan, sets himself for the inaugural exhibition at the new Crafts Council premises in Islington: *Beyond the Dovetail – Craft, Skill and Imagination*. More pertinent, it is one he sets us too.

This is an apposite moment to take stock in the crafts world and to stage a long overdue polemical show. After the scare of merger with the Arts Council, the future of the Crafts Council as an independent organisation is assured. Gallery and administration are reunited for the first time in 20 years in a handsome building that provides an exhibition space twice the size of the old Piccadilly gallery, and a host of additional facilities. (Unsurprisingly, however, since the move from the West End, attendance figures are down 20 per cent.) The show comes at a time when the bureaucrats are attempting to develop a National Strategy for the Arts. It is intended to fuel the debate on the nature and function of the crafts, and does so vigorously.

There is a modern ambivalence about technical accomplishment. Ever since Marcel Duchamp concocted his urinal "fountain" and claimed "it's art if I say it's art", skill has become a devalued artistic currency. At best it is met with grudging respect, but more often it is a deemed synonymous with uninspired graft.

Artist-craftsmen who followed fine art down the path of abstraction, abandoning function in favour of more ambiguous self-expression, distanced themselves increasingly from traditional craft values. As this wide-ranging show demonstrates, the crafts world has now stretched to a point where the two extremes barely recognise that they have anything in common. As Dormer puts it: "The one questions nothing, the other apparently questions everything."

His exhibition raises many questions. Rather like the juggler illustrated at the end of the show, however, the balls are left in the air. Not that Dormer leaves us in any doubt about his own standpoint. He comes off the fence to explain why he considers a mixed bag of objects dull and, through a dearth of imagination, skilled to death. While he is more coy about pointing a finger at meretricious imagination, he encourages us to be critical. There is little reverence for those "perverse" makers who produce objects of such private relevance that they fail to engage the interest of anyone else. Dormer's heroes are the craftsmen and women who have the courage to make objects that have what he calls "public accountability" – a clear criteria for success or failure.

One may not like a pot, but it can be judged objectively as good if it is well thrown, well glazed and well decorated. Similarly, say, Neal French's terracotta portrait heads either look like, and have something of the presence of their subject, or they fail.

These are works that belong to an evolving tradition – and that tradition of craftsmanship, argues Dormer, encourages rather than stifles creativity. To make the point, we find in the show a sweeping arc of vessels that set out the evolution of a Michael Casson jug in a dozen or so stages. It demonstrates the number of daunting decisions that have to be made at each stage in the design process: where to make the centre of gravity; what width and height of the neck band; where to put the handle; how to articulate the surface, and even where to place it in the kiln.

It is intriguing to hear Andrew and Joanna Young think out loud about how they evaluate their unpretentious, workaday domestic wares. An eloquent contrast is provided by the separate, spectacular display upstairs of new work – definitely not utilitarian – by leading ceramicist Elizabeth Fritsch, who explains her attempt to exploit the interaction of colour, form and rhythm. Despite their different ends, the Youngs and Fritsch rely equally on hand and eye – skill and imagination, if you prefer – working as one.

The show ends as it begins, with a basket by David Drew, made out of Somerset willow which he grew himself. Drew embodies one extreme of the Arts and Crafts tradition. In his hands, however, the humble basket is elevated beyond the simply useful by his intelligence as well as his integrity.

Any notion that skill and tradition, intelligence and imagination, are essential to craft is likely to be deemed by some as reactionary. Nonetheless, works here such as Fritsch's ceramics, Mary Restieaux's vibrant silk ikat weavings, or Philip Eglin's lumpen, splashed "Staffordshire" figures, offer evidence enough of the vigour and potency in the reinterpretation of traditional crafts.

Beyond the Dovetail continues at the new Crafts Council premises, 44a Pentonville Road, Islington, N1, until November 10.

'Beyond the Dovetail': a thought provoking exhibition in the Council's new Islington home

The Cady of Bagdad

QUEEN ELIZABETH HALL

Wednesday's London Mozart Players concert performance of *The Cady of Bagdad* (1778) was both delightful and instructive. This comic opera is by Thomas Linley the Younger, of whom we recall mainly that he was a product of that highly musical Bath family which Burney called a "nest of nightingales", that he and Mozart became friends as boy prodigies, and that he died at the age of 22 in a boating accident.

If no other Linley work than this were ever to be re-discovered, it would still be enough to proclaim his exceptional gifts as a composer for the lyric theatre. The formation of an English operatic tradition was dogged by misfortune, of which – on this evidence – Linley's early death was obviously among the more significant. *The Cady*, his first (and only) full-scale theatre work, was an English adaptation of a French *opéra-comique* text previously set by Monsigny and Gluck.

Its basic elements – a tyrannous oriental potentate outwitted by a pair of smart young lovers, a boozy *buffo* lead (who here sings in rollicking English ballad-opera style) – will be familiar to all aficionados of 18th-century comic opera. Unfortunately, the most striking point of plot originality also renders the work extremely distasteful, not to say Politically Incorrect, to late-20th-century sensibilities, since it turns on the potential for hilarity of female ugliness and deformity.

Probably *The Cady* is unstageable today for this reason alone. A pity: Linley's response to the *opéra-comique* song-and-speech formula has its own strong and very English identity, its own captivating nimbleness of gait. The buoyancy of scoring and keenness of invention are evidenced in every number: Linley was not (like Gluck) a melodist whose simplicities could seize an audience by the throat, but the charm and distinctness with which each character assumes his or her place in the musical unfolding are qualities that set him apart from all too many journeymen of 18th-century comic opera.

The occasion showed the opera in a particularly happy light. For one thing, there was evidence of thorough preparation, with particular deftness in the blend of aria and dialogue, normally the quicksand area in English ventures of this sort. For another, a notably stylish, skillful cast – including the singers Robert Tear, Elizabeth Gale (in sparkling form), Christopher Gillett and Peter Knapp, and the actors William Gaunt and Phil Rose – had been assembled; not once did the pace flag. Luigi De Filippi was a sympathetic conductor, occasionally just a touch easygoing. A jolly time was had by all.

Max Loppert

Charles Mingus's Epitaph

BARBICAN HALL

The problem with extending the form of jazz is how best to integrate improvisation into a long composition. Charles Mingus grappled with the structure and duration of this essentially spontaneous music long before the necessary resources and will were there. The fruit of his labours was *Epitaph*, a 2½ hour work which lay undiscovered until after his death in 1979, following a frustrated performance in 1962 in a calamitous episode which has become part of jazz folk lore.

Epitaph, its 18 movements rescued and re-scored by composer/conductor and jazz musicologist Gunther Schuller, is a compositional tour de force. It has continuity and it grips as one work – it also puts Mingus's best known and best loved compositions ("Better get it in your soul", "Freedom") in expanded, majestically framed form.

In performance it is both spectacular and, at times, confusing. Brought to London as part of the Ferguson Jazz Series, Schuller's 30-piece orchestra, which includes half a dozen each of trombones, trumpets and saxes, two pianos and even contrabass clarinet and bassoon, stormed austerely like a symphony orchestra can, timpani rumbling in the background.

In contrast, its personnel moved around the stage and conversed casually like the jazz musicians they are, while solo parts ensued. Schuller himself alternated between the conductor's podium and leaning against Kirk Lightsey's piano while trumpeter Randy Brecker temporarily took over Schuller's role.

There is rarely room for longueurs. With twin basses to the fore and horns and brass packed behind them, a dark fog of menace and portent is brought to bear, cut through with startlingly bright improvisation from the likes of George Adams on tenor leaning back into "Better get it..." for example. Later, in "Self Portrait/Chill of Death" every instrument in the orchestra takes a solo, overlapping and cutting in to create a mosaic of wild collective improvisation.

The movement "Wolverine Blues", taken from Jelly Roll Morton and never otherwise recorded by Mingus, employs a delightfully unsettling bassoon solo amongst the rolling New Orleans reconstruction. (It is worth pointing out the type of instruction left by Mingus on his manuscript and subsequently interpreted by Schuller. To the trumpet, for example: "plunger solo, like a sister moanin' to the preacher, who is just reading lightly from the Bible, but he's gonna get wilder.")

Each section of *Epitaph* holds such gems: the dark rhythmic magic of "Moods in Mambo"; the quirky pull of Monk's "Well you needn't" in "Monk, Bunk & Vice Versa"; and the spoken poetry of "Freedom", delivered by Adams while the rest of the orchestra intone, church-style, "Freedom for your mama, freedom for your daddy, freedom for your brother and sister, but no freedom for me."

In jazz terms it certainly is a long and demanding piece. But from where I was sitting, poor sound balance aside, it was a compelling experience.

Garry Booth

Sankai Juku

SADLER'S WELLS

An inscrutable evening. The Japanese form of free dance, Butoh, has so intensely national an identity that a Western viewer may find it as incomprehensible as Japanese calligraphic characters. Noh and Kabuki offer a certain common ground across which an occidental audience may approach a theatrical world and savour its magic. Butoh, only 30 years old, is more introspective and more hermetic.

Its leading exponents, the Sankai Juku troupe, are no strangers to London, and on previous visits the visual fascination of their offerings has held us, albeit meaning has been hard to grasp. Returned to Sadler's Wells for the next ten days, the company brings a piece even more static and self-absorbed than heretofore.

Unetsu – translated as *The Egg stands out of Curiosity* – is markedly oblique and unforthcoming about the Meaning of Life as typified by the egg. As always with Sankai Juku there are many rewards for the eye. The five men of the company are chalk-white, robed in pallid cream outfits – ghostly, monkish figures when immobile; intense, concentrated in presence when moving. The stage contains a shallow pond in which they variously splash, fall, rise and fall again. A cascade of sand on one side of the stage, of water on the other, frame a backdrop on which the water's ripples are reflected to ravishing effect. Large up-ended eggs, four bells, complete the decoration, which has the exquisite finesse in the placing of objects as physical events that we associate with Japanese gardens and interiors.

What takes place around and with this decoration is deliberate, contemplative, occasionally – very occasionally – ferocious, as bodies turn, creep, repeat and repeat brief *haikus* of activity. The egg, we are assured by the programme, is *birth of the original form*, and Ushio Amagatsu's direction and choreography and his central presence as performer, amount to a determinedly personal contemplation of this idea. It is one which engages Japanese temperament – and in the context of the Japan Festival this visit is illuminating – but the piece's time-scale (deliberate action, repetition, as hypnotic aids to comprehension) and its austerely restrained language, demand a great deal from the viewer during a 90 minutes-without-an-interval event.

Sankai Juku's belief that mundane activity repeated and repeated becomes more relevant, and resonant with meaning, is open to discussion. The visual stimulus to be gained from Sankai Juku's offerings can never be in doubt. The "otherness" of its philosophising is rather more open to question.

Clement Crisp

Maria Stuart

DRILL HALL ARTS CENTRE, WC1

Friedrich von Schiller should be gyrating in his grave. The risky, irreverent treatment his *Maria Stuart* receives from the Theatre Wilde Mischung Berlin directed by Hubsi Cramer in London's Drill Hall has the thrill of a healthy crime, and makes an exhilarating evening's theatre.

The piece's subtitle, "Musical theatre with two courageous pianists and one shameless actress" situates this show some way from Schiller's tense 1800 drama depicting a fictional meeting between Elizabeth I and Mary Queen of Scots in February 1587. This new version is, as it were, shriller than Schiller.

There are three characters. Four hundred years on, Elizabeth and Mary (Birgitta Altermann and Dorothea Gehr) have been invited to supper by Gerda (Lilly Walden), a housewife from Lüneburg. The evening opens as Gerda chats to the audience while she prepares an organic chicken and rehearses the toast she will deliver to Elizabeth. She arrives early, carrying a six-pack and sporting a coiffure like a block of orange yew hedge. Then Mary turns up, swigging cognac, and discovers the two pianos which Gerda had promised to satisfy the monarchs' lack of practice at the virginal.

So while Gerda dissects chicken, the two Queens sing and play jazz in the background. They start to reminisce: "Lizzie dear, this is much more fun than trying to poison you." Schiller is dismissed early: "He was an old glue-sniffer from the eighteenth century." There are appearances from Ignatius of Loyola, Christopher Columbus ("Doesn't everyone want to be discovered?") and Catherine de Medici, but the show makes no attempt to construct a narrative.

Behind all the piano-playing, bustles, wigs and ribaldry lies a chaos theory of history and a shrewd feminist regard for the powers of realpolitik which kept Elizabeth afloat in the squalls of political change and military threat. This Elizabeth is a woman "not strangled by her fate, but one whose fate was strangled by her."

The research has accuracy and authenticity; Elizabeth comes over as a prudent politician, and Mary as a flighty opportunist who really could, as she once said, follow Bothwell round the world in her nightie. The piano-playing is tight, the acting a kind of breathless mayhem delivered with winning verve and poise around a kitchen furnished with a microwave and two keyboards.

The show, which ranks more as cabaret than theatre, is performed in English but there is a special German language performance on October 29.

Andrew St George

BBC Symphony

ROYAL FESTIVAL HALL/RADIO 3

With his usual insight and verve, Oliver Knussen conducted the BBC SO in a thoroughly interesting 20th-century programme on Wednesday. At one chronological end, we had Stravinsky's compacted, visionary cantata *Zvezdoliki* (1912) and Schoenberg's expressionist quasi-opera *Die glückliche Hand* (1913) – both of which reveal their composers' most urgently original veins, but are familiar only to devotees. At the other we got the London première of the *Music for Orchestra* by Leon Kirchner, a seriously distinguished American composer but an unfamiliar name hereabouts, and the British premiere of Dmitri Smirnov's First Symphony.

As usual there was a simultaneous broadcast, which is why only the most seductive BBC concerts come anywhere near filling the hall. This time the audience was quite pathetically meagre. All the better seats were priced at £15 or £20 – many of their thinly scattered occupants were professional freeloaders, like me – except four rows of the stalls, and the first rows at the sides and in the balcony (£11); at home with an average stereo radio, you would hear more than from the seats at £4 (plus Tube fare). It is high time that the BBC put two and two together: if it is worthwhile to play heavily subsidised contemporary programmes in the Festival Hall, then a pricing policy that keeps most of your "natural" audience at home is crazy.

The concert began with vintage Takemitsu, his crisp, crystalline *Winter* (1971). Perhaps unwisely – for when very similar effects came round again in the finale of Smirnov's Symphony (subtitled "The Seasons") they sealed an impression that it was much less of a symphony than a Technicolor-Impressionist suite. Its first version was a chamber cantata after Smirnov's beloved Blake; in this wordless "symphonic" expansion the basic lyrical lines are preserved, but lavishly titivated to no very cogent purpose. It was unlucky too in coming immediately after *Zvezdoliki*, which has a musical density and a stern modern thrust that made the new Symphony sound trivially picturesque.

In safe hands like Knussen's, *Die glückliche Hand* always seems a cornucopia of raw, unprecedented ideas. Especially when, as here, it's spared any attempt at a staging – for the visual-symbolical scenario Schoenberg imagined cannot now be tried on with a straight face: better by far to let the astonishing score generate its own psychological *Affekt*. Suavely, Knussen ensured that it did (certain brusque contrasts that can be musical gut-punches arrived rather politely), and the baritone David Wilson-Johnson made a staunch protagonist.

With an individual patina Kirchner's *Music* also boasted a fine, purposeful edge, and polished sonorities – taut string-writing and sharply articulate winds over silvery backgrounds (vibes and such). None of it was routine; it was a pleasure to follow its neat twists without being able to pre-guess them. The latter part of the piece, originally a birthday homage for Leonard Bernstein, conjured up not only the Broadway Bernstein but in the same breath late-middle Skryabin: themes of just his truculent, tremulous cut, harmonies of the same sharp-leaning excitability. Though Kirchner no doubt got there by a different route, it is intriguing that when Skryabin's idiom reached that point, some 85 years ago, he was composing during an American tour. Could it be something in the air there?

David Murray

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

Audiences in Japan will have the opportunity over the next month to compare two of the leading orchestras from French-speaking Europe – the Orchestre de Paris and the Geneva-based Orchestre de la Suisse Romande.

The Orchestre de Paris opens its tour with five concerts in Tokyo between October 31 and November 6. The orchestra was founded by Charles Munch in the late 1960s, but it has never actually had a French chief conductor. Its current music director, Semyon Bychkov, succeeded Daniel Barenboim three years ago. The Tokyo programmes include two performances of Berlioz's La Damnation de Faust (also featured on a visit to Yokohama on Nov 2). The soloists are David Rendall, Waltraud Meier, John Tomlinson and John-Paul Bogart, with the orchestra's own chorus trained by Arthur Oldham. After Tokyo, the tour continues with purely orchestral programmes to Nagoya (Nov 8), Osaka (Nov 9), Okayama (Nov 10), Maebashi (Nov 12) and Matsudo (Nov 13). The repertoire includes the fifth symphonies of Beethoven and Shostakovich, as well as Poulenc's Les Biches, Ravel's Bolero and Tchaikovsky's Serenade for Strings.

The OSR, founded by Ernest Ansermet in 1918 and still typically French in its sound, opens its tour with two programmes at Tokyo's Suntory Hall on November 9 and 10. The orchestra will also visit Matsudo (Nov 11), Osaka (Nov 12), Hiroshima, Kobe, Shirane and Akita, with two final concerts in Tokyo (Nov 17 and 19). All the concerts will be conducted by the OSR's Swiss music director, Armin Jordan. The programmes focus on the French and Russian repertoire with which the orchestra built its international reputation in the 1950s and 1960s, including La Mer, Bolero and The Rite of Spring. There will be a chance to hear Radu Lupu in Beethoven's Fourth Piano Concerto and Edith Wiens as soprano soloist in Mahler's Fourth Symphony. The Japanese cellist Nobuko Yamazaki will also play Saint-Saens' First Cello Concerto. Before flying to Japan, the orchestra makes brief visits to Belgium (Oct 28), Britain (Oct 29 to Nov 1) and the South Korean capital, Seoul (Nov 7).

EXHIBITIONS GUIDE

BOLOGNA

Museo Civico Guercino: an exhibition marking the 400th anniversary of the birth of one of the finest 17th century Italian artists, who spent the last 20 years of his life in Bologna. There is a complementary exhibition at nearby Cento, Guercino's birthplace. Both end on Nov 10

FRANKFURT

Städel Velasquez and Goya: portraits of Philip IV and Charles III, two of the greatest masterpieces from the Prado. The exhibition compares Goya's royal portrait with its illustrious forerunner and shows how he went on to reinterpret the concept of court painting. Ends Jan 19. Also the Städel Moderns 1906-37: paintings dubbed degenerate by the Nazis, including work by Beckmann, Chagall, Gauguin, Klee, Kokoschka and Matisse. Ends Jan 12. Daily

GLASGOW

Hunterian Art Gallery Charles Rennie Mackintosh: 50 drawings, designs and watercolours from Glasgow University's renowned Mackintosh collection, illustrating the artist's remarkable versatility. Ends Feb 1. Closed Sun

LAUSANNE

Fondation de l'Hermitage Ecuador: a celebration of 500 years of civilisation, with a wide range of gold and ceramics. Ends Jan 26. Closed Mon

LONDON

Barbican Japan and Britain: an aesthetic dialogue 1850-1930, including works by Whistler, Rennie Mackintosh and others who contributed to the exchange of ideas and influences following the opening of trade links in the mid-19th century. Ends Jan 12. Daily

Hayward Gallery Toulouse-Lautrec: the most comprehensive exhibition of his work ever held in UK. Apart from portraits and figure studies, it includes his famed paintings of late 19th century Parisian night life, illustrations for theatre programmes, posters for the Moulin Rouge and caricatures of friends. Ends Jan 19. Daily

National Gallery The Queen's Pictures: nearly 100 paintings by Holbein, Van Dyck, Rembrandt, Vermeer, Canaletto, Gainsborough and others, tracing the growth of the royal collection over 300 years. Ends Jan 19. Daily

Tate Gallery Anthony Caro (b1924): new and recent work by the British sculptor, including a 76-foot long single sculpture entitled After Olympia and other works illustrating Caro's concern with the architectural dimension of sculpture. Ends Jan 26. Also Turner's Rivers of Europe, focusing on the artist's early 19th century tours to the Low Countries and the Rhineland. Ends Jan 26. Also William Blake: 150 watercolours, drawings and engravings from the Tate's fine collection of work by the English visionary poet and painter. Ends Nov 2. Daily

MADRID

Fundacion Juan March Monet at Giverny: 20 oils dating from the period 1903-26, on loan from the Musée Marmottan in Paris. Ends Dec 22. Daily

MANCHESTER

City Art Galleries The New Look: design in the 1950s, a reassessment of the way shapes, colours and materials were liberated after the stagnation and frustration of the war years. Ends Jan 5. Daily

Whitworth Art Gallery Girtin and Turner: a comparison of watercolours, following the careers of both artists until Girtin's premature death in 1802. Also Landscapes in Oil, including works by Constable. Ends Feb 8. Closed Sun

NEW YORK

Brooklyn Museum Objects of Myth and Memory: 250 native American objects acquired in the first years of this century, most of which have not been on public view for decades. Ends Dec 29. Also Sigmar Polke, tracing the German artist's output from 1963 to the present. Ends Jan 5. Closed Mon and Tues

Metropolitan Museum of Art American Watercolours: 150 masterpieces from the museum's own collection. Ends Dec 10. Also a major Seurat exhibition and another devoted to his neo-impressionist followers. Ends Jan 12. Also French 19th century drawings: 30 recent acquisitions. Ends Dec 1. Also Renaissance tapestries and armour from Flanders, Germany and Italy, on loan from the Patrimonio Nacional Madrid. Ends Jan 5. Also Indian and South-east Asian art: 200 small sculptures, including a rich representation of Javanese bronzes. Ends June 92. Closed Mon

Museum of Modern Art Tadao Ando: first American retrospective devoted to the Japanese architect (b1941). Ends Dec 31. Also Dislocations: site-specific installations by seven artists, including Bruce Nauman and Adrian Piper. Ends Jan 7. Closed Wed

PARIS

Galérie d'Art St Honoré Flemish landscapes of the 16th and 17th centuries: a small but exquisite exhibition combining the earthiness of Peter Brueghel the Younger's country life scenes with visionary blue and green mountain landscapes by Josse de Momper the Younger. Ends Dec 20. Closed Sat and Sun (267 rue St Honoré)

Grand Palais From Watteau to David: 70 works from the school of 18th century painting which specialised in depicting scenes from classical mythology. Ends Jan 6. Closed Tues, late closing Wed

Grand Palais Géricault: a retrospective marking the 200th anniversary of the birth of one of the most influential figures in the development of the Romantic movement in art. Géricault replaces David's cold neo-classical style with a romantic vision of prancing horses, gold and scarlet uniforms and dramatic subject matter. Ends Jan 6. Closed Tues, late closing Wed

Grand Palais A Golden Age of Decorative Art: 350 works from the period 1814 to 1848, including mahogany armchairs, bronze works, jewellery, tapestry and porcelain, much of it commissioned by the Bourbon monarchy. The style is technically perfect but heavy, with overwhelming decorations. Ends Dec 30. Closed Tues, late closing Wed

Musée des Arts Decoratifs Les Dubuffet de Dubuffet: the founder of art brut donated his personal collection of his own work – including more than 20 paintings, 135 drawings and seven sculptures – to this museum in 1967. Ends March 29. Closed Mon and Tues

Musée Picasso Picasso: 100 works from the years 1893-1905, including family and self-portraits, caricatures, symbolist and naturalistic works, also paintings on religious and erotic themes. Ends Nov 25. Closed Tues, late closing Wed

Musée d'Orsay Munch and France: an exhibition tracing the interaction between Munch and French art resulting from his visits to Paris between 1885 and 1908. Ends Jan 5. Closed Mon, late closing Thurs

ROTTERDAM

Museum Boymans-van Beuningen Perspectives: Saenredam and the Dutch architectural painters of the 17th century. Ends Nov 24. Also Michael Byron: 100 recent drawings by the American artist, plus Friso Kramer: recent interior design work. Ends Nov 17. Closed Mon

STOCKHOLM

Nationalmuseum The Empire Style in Sweden: early 19th century neo-classicism in painting, sculpture and interior design. Ends March 29. Closed Mon

VIENNA

Kunstlerhaus From Eisenstein to Tarkovsky: paintings and drawings by 11 film directors from Russia and Ukraine, showing how they used painting to express ideas which the Communists would have banned on film.

WASHINGTON

National Gallery of Art Circa 1492: Art in the Age of Exploration. 600 paintings, sculptures, drawings and decorative objects, as well as maps and scientific instruments, from Europe, Africa, Asia and the Americas, with works by artists as diverse as Leonardo da Vinci, Albrecht Durer, Shen Zhou, Islamic scribes and bronzecasters of Benin. Ends Jan 12. Daily

National Museum of American Art William H. Johnson and Afro-America 1938-46: the mid-20th century black experience in art. Ends March 1. Daily

FINANCIAL TIMES

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Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

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Equalising the retirement age

THE COST of introducing equality of treatment in pensions has exercised UK companies since the European Court of Justice ruling in the Barber case. Yesterday's CBI survey found that a common retirement age of 60 for men and women would cost pension schemes – and thus the companies which underwrite them – at least £40bn if applied retrospectively to service before the judgment was issued.

Mr Tony Newton, the Secretary of State for Social Security, is rightly resisting retrospection, which could harm competitiveness and jobs. But companies are also concerned about his declared intention of moving towards equal treatment in the state scheme. The state retirement age the government decides upon for men and women will almost certainly become the standard age of retirement for occupational schemes. If it is levelled down to the current retirement age for women of 60, the cost of pension schemes will rise; if it is levelled up to the men's age of 65, there will be savings. The CBI survey found that most companies which have equalised their retirement age since the Barber judgment have gone for 65 rather than 60.

Cost pressures

Mr Newton has promised a discussion paper this autumn on options for a common state retirement age. He faces similar pressures on cost to those faced by occupational schemes: if the age is levelled down to 60, an extra £3bn must be found for the state pensions of men who can retire earlier; levelling up to 65 saves £3bn, but at the political cost of outraging women who would have to work an extra five years before retirement. A retirement age of 63 is neutral on costs, though still forcing women to work on.

No doubt because of this uncomfortable choice, Mr Newton is flirting with a more flexible approach to retirement. People would be able to retire at any age they chose between, say, 55 and 70. Those who retired early would receive a proportion of the full state pension. Occupational pension schemes could choose their own retirement age, so that civil servants, say, could continue to retire at 60 while others went on to 65 or later.

Bold step

There is much to commend this approach, particularly as the effective retirement age has fallen. Although the retirement age for men is 65, more than half of all men between 60 and 64 are no longer at work. However, a flexible retirement age does not avoid the need to decide the age at which the state pension becomes payable in full. If it is 60, then state pension costs will rise above current costs (and so might occupational pension costs); if it is 65, there will be savings.

A bold step would be to level up to 65, phasing in the change for women over 50 who might reasonably be annoyed by a five-year extension to their working lives. This would make up to £3bn of savings available which could be redirected to pensioners whose main source of income is the state flat-rate pension (a declining band as occupational pensions, personal pensions and the Serps entitlements build up). If some were also used to encourage efficient, alternative forms of pension provision, so that fewer retire with only the flat-rate pension to look forward to, the money would have been well-spent.

Bush at home

THE BUSH administration has been, on the whole, a remarkable gift from the American people to the world.

More than any of his predecessors since Richard Nixon, President George Bush is a foreign policy specialist. On becoming president he appointed his closest and ablest lieutenant, Mr James Baker, as secretary of state, and surrounded him with a small, dedicated and highly skilled group of advisers. Liaison between White House and State Department has been much smoother than under previous administrations.

Without this combination of professionalism and statesmanship, German unity within the Atlantic alliance might not have come about; the UN would have been unable to reverse Iraq's aggression against Kuwait; Arabs and Israelis would not be about to sit down together at a peace conference; and there would be little prospect of a successful outcome to the Uruguay round. The world would be a less peaceful and hopeful place.

For all of that the world, and Europe in particular, should be grateful. No one in his senses should want the US to turn its back on the outside world, and few Europeans wish to see the US disengage from its role in European security. For that very reason, many Europeans are distressed when they hear Americans speak of the intractable economic problems, and above all the appalling social problems, that face them at home. Predictably, now that international affairs are going through a slightly less dramatic phase, these problems are beginning once more to affect Mr Bush's standing in the polls.

Not that Europeans, or Americans, are expecting Mr Bush might be defeated in a year's time. Nor do many Europeans fear a sudden turning inward of American attention, whoever is in the White House.

If anything, the fear is opposite: that by continuing to neglect their domestic problems – especially those that affect the educational system and the basic cohesion of US society – American leaders might allow the economic and social bases of their superpower status to be gradually eroded. It was, after all, the economic and social failure of communism, much more than foreign policy blunders or military setbacks, that led to the collapse of the Soviet Union.

The American social system, happily, is still a long way from that point. But the time to attend to its growing fissures is now. Not, of course, that Europe, with civil war raging in Yugoslavia and unpleasant racial tensions rising almost everywhere, is well placed to preach. But at least, thanks to past US achievements, Europe now has the luxury of worrying about problems the US cannot solve for it any more than it can do much to help the Americans with theirs.

The US, however, does need to address its domestic problems with a greater sense of urgency, in the rest of the world's interests as well as its own. Perhaps Mr Bush could best symbolise his commitment to do this by switching Mr Baker, after he takes his bow in Madrid next week, to a post where he could exercise his famous deal-making abilities to break the logjams of domestic policy.

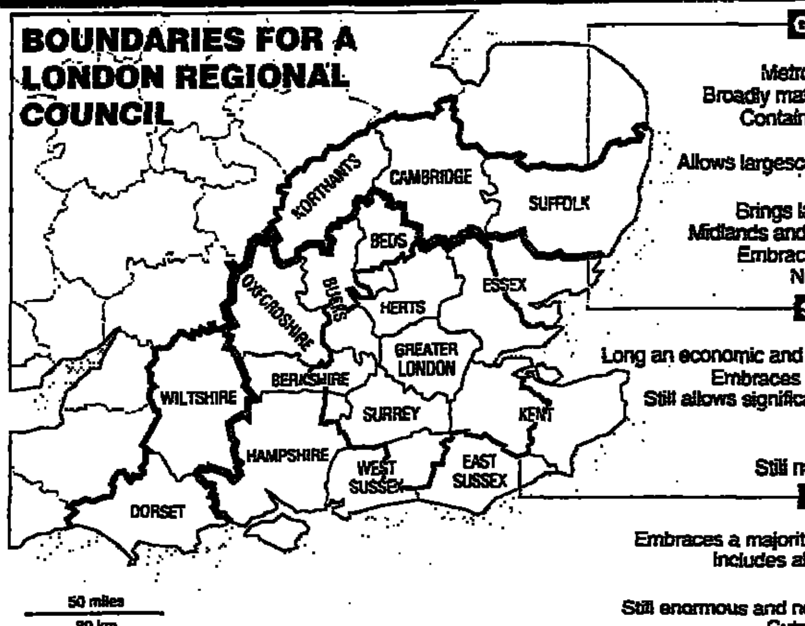
Pay Fullemploy

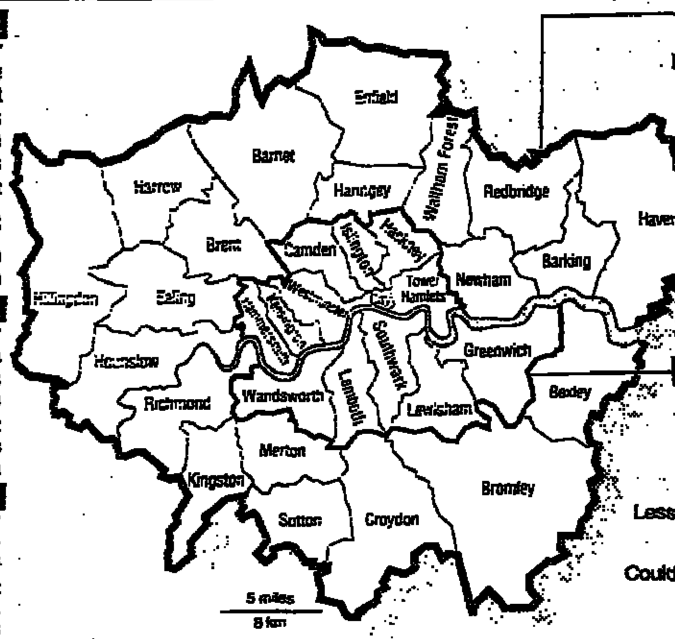
FOR THE past decade the training schemes of Fullemploy have contributed to tackling disproportionately high levels of unemployment among the UK's ethnic minorities. The prospect of this work continuing, however, is now in doubt. Over-ambitious expansion schemes into consultancy and publishing provoked a financial crisis and an investigation by the Charity Commissioners. Although Fullemploy has been restructured under new management, a £250,000 Home Office grant on which its future depends has been withheld.

Home Office ministers say the government cannot give money to an organisation when its solvency depends on receiving a public grant. Yet Fullemploy's solvency problems arise in large part from the delay in receiving the Home Office grant, a delay itself occasioned by the Charity Commissioners' investigation.

While the commissioners were critical of past aspects of Fullemploy's administration, they have said that their requirements on administration and finance are now being met. In these circumstances the Home Office should give Fullemploy the grant to carry on its training work.

Voluntary organisations can play a valuable role in delivering services on behalf of public bodies, and the government wants them to take on more of this work, but they do not possess the administrative resources of Whitehall departments. While safeguarding public funds is important, the policy will not work if the government applies rigidly bureaucratic funding criteria. In any case, as the National Audit Office has repeatedly demonstrated (this week for the Foreign Office and the Lord Chancellor's Department), government departments are not yet themselves beyond criticism when it comes to financial management.





Reform of London's fragmented government is back on the political agenda. **Andrew Adonis** assesses what form it might take

An authority fit for the metropolis

THE FUTURE OF LONDON

The balkanisation of London may soon be at an end. Reform of London government will feature in all the parties' general election manifestos – including, it seems, the Conservatives'. Most Tory leaders realise that however objectionable the Greater London Council may have been, the confusion and fragmentation since its abolition five years ago are little improvement. The reform agenda no longer centres on whether or when, but what and how.

Which makes the Rowntree Foundation's report on the Government of London*, published yesterday, timely and helpful. The work of the Greater London Group at the London School of Economics, under its research director Mr Tony Travers, it makes a cool assessment of the state of London's government, and takes a sceptical look at options for change.

Four themes run through the report – if not always explicitly stated – and will form the backdrop of a debate about to start in earnest.

● **The remit, boundaries and expectations of a London authority are problematic.** Where does London stop? What are "strategic functions"? The LSE group wisely sidesteps the first question ("There is no such place as London at all," The Times decided back in 1855), addressing the boundaries of a "London authority" in terms of the second. It comes up with eight options, pitching a new authority's northern boundary everywhere from Camden to Cambridge. Pros and cons of the five most plausible are outlined above.

It all depends on the functions envisaged. If the aim is to produce a mayor of London able to speak from a broader metropolitan base than the Square Mile, an authority embracing the City Corporation, Westminster, Camden, Islington, Lambeth and Southwark would suffice – restoring the City to the same size relative to the rest of the metropolis that it had at the turn of the 19th century.

If, however, "strategic" means – as most assume – land use and transport planning, even a body the size of Labour's proposed Greater London Authority is likely to be too small for the job – particularly if Whitehall responsibilities like health and social security were devolved to it. To be effective its writ would need to run to the M25, and probably across the whole area covered by British Rail's Network SouthEast.

Labour's proposed GLA need involve no bureaucratic explosion. The LSE group estimates that some 450 Whitehall officials deal with London policy issues: a "strategic" GLA which provided no direct labour services could operate with half of them – the number currently in the Department of the Environment alone.

Yet whatever its boundaries and staff, a strategic authority is no panacea for London's strategic ills – least of all in public transport, where inadequate investment is the overriding problem. If a London-wide body is to do more than lobby ministers, it requires a wide and deep tax base of its own. Yet Labour's GLA is to have no direct tax-raising powers.

A choice has to be made, the LSE team argues, between a powerful, tax-raising, largely unconstrained regional authority, and a co-operative venture to promote the capital without changing its structure of government. "This is a crunch issue," says Mr Travers. "If the GLA were to be allowed to levy income and sales tax, it could have access to about 20 per cent of the national tax base, with vast political and economic repercussions." But without at least one of them, the Treasury will remain London's chief strategic authority in all but name.

● **A voice for London.** London needs a civic leader – as much to match the council leaders of Britain's other cities as to keep up with Mayors Chirac, Dinkins and Suzuki in Paris, New York and Tokyo. Without one, it will continue to have difficulty articulating a vision of its future to itself and beyond – and campaigning for it. London has more poverty than Scotland: it is not just another part of the affluent south-east. But come a Scottish parliament and prime minister, who in Brussels – or even a Labour Whitehall – will buy that argument?

A directly-elected mayor is the flamboyant option, but the leader of an elected city or regional authority might command a similar stature in practice. The Conservatives strongly oppose either. Yet their manifesto commitment may be bolder than a committee of the great and good and/or a minister for London : ideas for a commissioner to advise on policy for the capital, appointed by but independent of the government, are doing the Tory rounds.

● **Big is ugly in service provision.** The existing 32 London boroughs, may be artificial units, but as direct providers of services – street cleaning, housing, education and social services – their catchment areas of about 200,000 people each are already large enough. According to the Audit Commission, boroughs with smaller housing stocks manage them better than those with larger. Resurrection of the Inner London Education Authority is a prospect welcomed by virtually no one in education.

"We are already the tenth-largest lower-tier authority in the country," says Ms Anna Wyatt, Southwark's chief executive. "Moving services from one authority to another is a traumatic affair, and further structural change would be deeply unsettling." Many would apply that even to the functions now in the hands of joint committees. Some – like the fire brigade and waste disposal authorities – work effectively; the problems of the others – notably those responsible for planning and funding voluntary bodies – have more to do with voting rules and government inaction than anything else. A single joint committee might fit the bill far better than another elected authority, the LSE group suggests.

If a London-wide body is to do more than lobby ministers, it requires a wide and deep tax base

Furthermore, with a single-tier authority structure London's electors know who is responsible for what and can pin the blame accordingly. A survey of public attitudes to councils, also published by Rowntree yesterday**, reveals that twice as many people are knowledgeable about their local government in one-tier areas (ie, London and the metropolitan authorities) than under the two-tier county and district regime prevalent in the rest of England and Wales.

All in all, these arguments constitute an unassailable case for not reviving the old GLC (which no party favours). They also militate against the most imaginative of the eight options outlined in the Rowntree report: a central borough about the size of the old London County Council, with a committee of south-east local authorities to advise on strategic issues on top and elected neighbourhood councils responsible for service delivery and local planning beneath.

The scheme has the merit of not confusing the creation of a London council with the provision of a strategic authority extending far beyond the city – which, apart from losing depriving London of its identity in the process, could be a leap to straight federalism if it took the form of an elected government for the whole south-east region. The resulting pattern would be not dissimilar to that in Paris, where the central *Ville de Paris departmental council* (of which Mr Chirac is mayor) embraces a city-centre population of more than two million, with communes below and an elected regional assembly extending beyond the metropolis above.

Yet creating a London council from existing authorities would involve massive disruption in service provision, not to mention conflict with an influential City of London which has no desire to be merged into its Labour-controlled neighbours. "Would business in the Square Mile be better off without its own dedicated authority?", asks Mr Peter Rigby, chairman of the Corporation's policy and resources committee. "Certainly not is my answer."

Nonetheless, two trends might soon make the option feasible – with or without the City included. In the first place, devolution to neighbourhoods is already taking place. Several boroughs have neighbourhood management units and consultative councils. The Liberal Democrats running Tower Hamlets, one of London's most deprived areas, have gone furthest, dividing the borough into seven neighbourhood councils, each with an administration subject to a committee of councillors from its constituent wards – and little more than the annual budget determined centrally. "We have brought the council to people's doorsteps," says Mr Peter Hughes, the council leader, "and it's time others started following suit."

So far none has. But before long it may be irrelevant whether any do or not. For contracting out, compulsory competitive tendering, and local management and opting out of schools are together transforming councils from providers into clients, where they are not eliminated entirely. Labour opposes some of these policies, but Mr Bryan Gould, the party's environment spokesman, enthuses about "enabling authorities" with all the verve of Mr Heseltine. If the vision becomes reality, establishing a core authority need involve little disruption.

● **Political antagonism will undermine a London authority.** "The government of London has been a constant picture of ad hoc institutions, complexity, complaint and reform," says the LSE group. In the past 140 years the capital's local government has undergone six bouts of extensive surgery, each at the behest of a government hostile to the existing authority. Political antagonism remains deep (Labour and Tory councils refuse even to share the same London local authority association), and the group fears that if Labour goes ahead with its GLA, the Tories could scrap it five years later.

That may be unduly pessimistic. The LCC lasted from 1889 to 1965, despite vigorous inter-party conflict about its role from the start. The past 15 years of London politics have been unusually bitter, but extremism is on the wane in all inner London town halls. "It's not a question of being left or right: everyone now wants to get on with the job," says Mr Roy Shaw, whose own re-election as deputy leader of Camden, after a decade in the wilderness, is a good fair-weather guide. Ms Margaret Hodge, once champion of the hard left, is the voice of constructive pragmatism at Islington, and a likely leader for the GLA. In any case, the GLA may be elected by proportional representation: it would take some nerve for Labour to set up authorities for Scotland and London at the same time with different electoral systems, and the party is pledged to PR for Edinburgh.

And if none of this comes to pass? As the Herbert Commission observed 30 years ago: "The fact that local government in London does manage to avoid a breakdown says much for the British knack of making the most cumbrous machinery work somehow."

* *The Government of London, by Tony Travers, George Jones, Michael Hebbert & June Burnham. Rowntree Foundation (tel 0904 654328 for orders), £5.50.*

** *Attitudes to Local Government, Rowntree (as above), £5.50.*

This is the second in a series of articles on the future of London. The first appeared on October 17.

OBSERVER

Marathon man

■ It has taken an awfully long time to find someone to head *Britain's Share Ownership* Movement, but it seems to have been worth the wait. Geoffrey Maddrell, the ex-chief executive of Tootal, is a real industrialist and not the traditional trade association type who normally flits from one lost cause to another.

Admittedly, the 55-year-old Maddrell has been on the lookout for a full-time job since he parted company with Tootal. Nevertheless, he has the commercial background which will mean that the new body cannot be dismissed as just another City-based talking shop.

Sir Peter Thompson and Sir John Harvey-Jones, chairman and president respectively, should be able to teach him the finer points of the art of self-publicity. Meanwhile, a budget of £1m a year, for the first three years, means that unlike its predecessor – the wider share ownership council – the new body will not be able to blame chronic underfunding if it does not get its message across.

"It will be a marathon rather than a sprint," says Maddrell, who has an uphill task ahead of him. At one level he sees his new body as a sort of RAC club for small shareholders. But he regards his remit as much wider than that and talks about the new body helping to regenerate Britain's industrial base by promoting a partnership between investors and industry. Less than a year away from a general election, this brave talk may just be overtaken by events.

Front-runner

■ Stately homes up and down the Kingdom are still coming to terms with the shock that Arthur Ackermann & Son, purveyors of sporting pictures to the gentry for over two centuries, has been taken over by the new boys from Belgravia, Oscar & Peter Johnson. As one rival put it, "it's like Manchester United being bought by Rochdale".

Sporting pictures have gone out of fashion recently, especially among American collectors, and Ackermann's backer, the Throgmorton Trust, was unwilling either to live with the losses, or to pump in new money. Peter Johnson is friends with Tory MP Ian Stewart, who heads Throgmorton: hence the deal.

But who is backing Peter Johnson's much smaller firm? The ebullient Richard Green, who already owns three prime Mayfair sites and would love a shop nestling next to Sotheby's busy auction house, could help relieve the financial strains by taking over Ackermann's prestigious Bond Street gallery.

However, the word in the art world is that there is a rich entrepreneur in the wings. Peter Johnson's most important client is said to be Lord White, of Hanson and racehorse fame. Although Hanson is saying nothing, Lord White's name is in the frame. Presumably he would be doing it PA, after all the fuss last time.

Not out yet

■ In one corner, Michael Ashcroft, wily and secretive entrepreneur; in the other, Donald Jackson, professional manager and neophyte to the hurly-burly of international business. Who will land the knockout blow?

The latest round has gone to Jackson, who took over last year as chief executive of Laidlaw, the Canadian waste services and school bus operator. The 47-year-old Albertan must be happy to see Ashcroft leave the Attwoods' board.

The main battleground however, will be at ADT, where

"For goodness sake! Maybe there *aren't* any hidden charges."

Ashcroft is chairman and Laidlaw the largest single shareholder. Jackson has already fired several broadsides, and has succeeded in getting four of his men on ADT's board.

But while Ashcroft owns only a fraction of ADT's shares, it's too early to count him out. One intriguing possibility is that he may be courting Canadian Pacific, Laidlaw's controlling shareholder. CP must be less than delighted with the recent performance of Laidlaw, which is struggling to keep its US garbage business on an even keel, and last week chopped its dividend in half. Significantly, it was Ashcroft who suggested that ADT's last board meeting be held in CP's boardroom in Montreal.

Oxford mafia

■ Yesterday's award of the $200,000 Giovanni Agnelli International Prize to Sir Ralf Dahrendorf, warden of St Antony's College, Oxford, looks rather suspicious.

Sir Ralf, the former German politician and director of the London School of Economics, is the third Oxford don to win the prize, awarded every two years, since its inception in 1987.

Sir Ralf follows Sir Isaiah Berlin, the former head of Wolfson College, and the economist Amartya Kumar Sen, now at Harvard, but who spent much of his professional life at Oxford too.

The prize is given by the Giovanni Agnelli Foundation, the institution created in honour of Fiat's founder, rather than the industrial giant itself. But it has not gone unnoticed that only last October did the current Giovanni (Gianni) Agnelli, Fiat's chairman and the grandson of its founder, come to Oxford with a £700,000 cheque to reinstate the university's frozen Italian chair, now renamed the Fiat-Serena Professorship of Italian Studies. In May he returned to deliver the University's prestigious Romanes lecture.

However, conspiracy theorists should take care. The Foundation's prizewinners are proposed by a four-member academic committee and chosen by a five-man jury which includes Helmut Schmidt and Felix Rohatyn, alongside l'avvocato himself.

Screen play

■ The organisers of this morning's inaugural meeting of the BCCI Depositors Protection Association obviously have not lost their sense of humour. Shortly after they have departed, the Barbican Cinema will be screening the following masterpieces: "Close my eyes" (a reference to the Bank of England's role before July 1991, perhaps?), and "Let him have it"(surely not the Governor of the Bank of England?). And lest we forget Price Waterhouse, the Barbican is squeezing in a special showing of "City Slickers".

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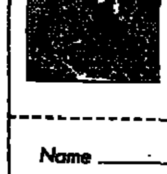

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The banana at the heart of Europe

Charles Leadbeater and Clive Cookson on the concentration of business ahead of 1993

It bears an unlikely title: The Hot Banana. It is where the head offices of Europe's large companies and their research centres are supposed to be gathering at the heart of the single European market – the free-trade zone which will come into existence in January 1993.

The banana – so called because it defines an arc of land curving through Europe – is the convergence of two areas. The first is the traditional economic centre of northern Europe, bounded by a triangle formed by London, Paris and Amsterdam. The second is an area which developed following the second world war, extending from southern Germany, through Milan in northern Italy, before spreading westwards into southern France and into Barcelona and Valencia in Spain.

The banana was created by EC policymakers in the past couple of years by drawing lines on maps to join up the most prosperous regions of the national economies of the European Community. The question is whether the entire banana region is more than just lines on a map. Is it becoming a distinct region in its own right, increasingly independent of national economies, or will European economic development be a lot more chaotic than the neat banana theory suggests?

The magnetic attraction of the banana area was demonstrated earlier this month when Pilkington, the glass maker, announced plans to move the head office of its most important division, flat and safety glass, from St Helens to Brussels.

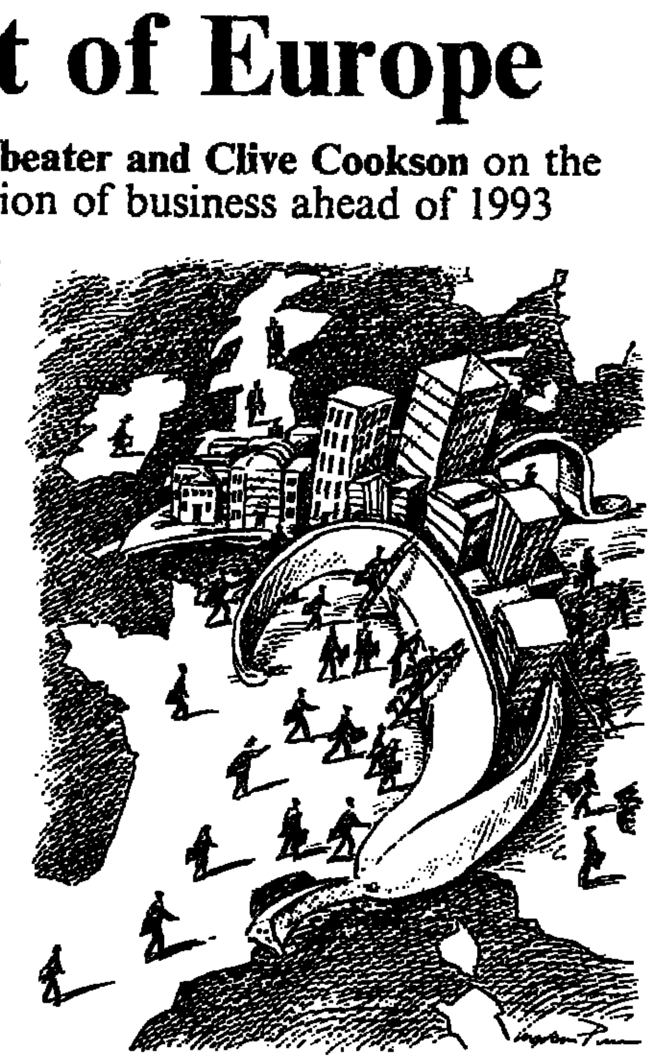
But other European companies are already well-established within the area. Much of Europe's electronics industry is located somewhere along the banana, from the M4 and M11 motorway corridors west and east of London, all the way to the Netherlands, where Philips has its electronics hub, down to the modern industrial districts of southern France.

The European headquarters of most of the main car producers are also housed within the banana. Honda of Japan is in Reading, 30 miles west of London, Ford is based in Essex, Nissan in Amsterdam, Toyota in Brussels, Daimler-Benz in Stuttgart, General Motors in Zurich and Fiat in Turin.

Several factors might have led to the emergence of this strategically important economic zone. The single market programme has influenced the migration of companies' head offices into the political and economic heart of the Community. If Brussels is to be the centre of political decision-making in an increasingly unified Europe it is logical for corporate decision-making to be close by.

As manufacturing companies seek to create integrated European production systems by pulling together separate national factories, it is likely they will reconsider where they should locate the central offices to oversee these activities. Europe in the 1990s could experience on a larger scale what happened in Britain after the 1960s industrial merger boom. This prompted a migration of head offices and research facilities to its most powerful and prosperous region, the south-east, which now accounts for about 80 per cent of large company head offices. A similar concentration could follow mergers and rationalisation within Europe as a whole.

Transport and telecommunications infrastructures already provide the banana with the facilities which attract big companies and top executives. The main road and high-speed rail arteries pass through it. Its cities, such as London, Frankfurt and Milan, possess the advanced telecommunications systems which big companies rely on to manage their global operations.



In addition, cultural factors are likely to attract companies to the cities of the banana. British companies are also concerned that their senior executives should adopt a more European outlook by living and working on the continent. Sir Antony Pilkington, chairman of the glass group, says: "The move to Brussels is intended to make people think in a different way about how the business should develop; they will have a more European orientation." However, a complex mix of forces is at work, which means that the neat shape of the banana is unlikely to be maintained. According to Mr Andrew Leyshon, a European geograpy specialist at Hull University: "The theory is too neat and tidy. The practice is going to be a lot more chaotic."

The geography of European industry is being reshaped by the decline of old industrial areas, as a result of increasing international competition and technological change as well as the rise of the single market.

At the heart of the postwar European economy were core industrial areas of mass manufacturing – coal and steel, cars and consumer durables in the north of England, the mining areas of northern France and Belgium, the Ruhr. Factories and corporate head offices massed around industrial towns and conurbations within these areas.

Not only are most of these industrial areas in decline but the traditional relationship between the constituent parts of companies is being recast.

A lattice-work of offices, laboratories and factories is being created, according to Mr John Goddard, director of the Centre for Urban and Regional Development Studies at Newcastle University, as different functions are dispersed to locations to suit their particular requirements. This lattice-work extends beyond the area covered by the banana.

Head offices concentrated on a small range of strategic tasks such as acquisitions and financial controls are clustering around a few leading European cities. Divisional offices in charge of particular products or regions are often separate to be close to customers or production plants. Although ICI's head office is in London, its pharmaceuticals division head office is still in the north-east of England.

The factors affecting the location of research facilities are different again. The availability of skilled labour is an increasingly important factor in deciding the location of research facilities, along with links with universities and availability of technical staff.

Occasionally such factors can pull a company away from the banana. Smith & Nephew, which makes health care products, is reacting against what Dr Alan Suggett, its research director, calls the "over-concentration of R&D" in south-east England. Its 200 research staff will move next year from Gilston Park, Essex, within the banana area, to the University of York's new science park.

Some companies are dividing R&D into pure research and market-oriented activites. Some of these activities may be within the banana, while others are outside it. ICL, the British computer maker owned by Fujitsu of Japan, does basic research in Munich in collaboration with Siemens of Germany and Bull of France. But its development work on mainframe computers is still done outside the banana in Manchester, the postwar birthplace of the UK computer industry.

More important, regional development within some countries does not fit the pattern that economic activity is shifting towards the banana. Germany is the main exception. Corporate power in Germany is more geographically dispersed than in Italy and the UK. In Germany industrial cities such as Hamburg and Bremen, outside the banana, have retained greater power than their counterparts in the UK, where financial, industrial and political power has drifted to London, well within the banana.

This dispersion of economic power within Germany will be pushed further by the development of Berlin as the capital of the unified Germany. Berlin's potential as the centre of Germany's political and economic power is indicative of a more general trend for development to take place outside the confines of the banana. This may offset the concentration which the single market could promote. The extension of the European market with the opening of eastern Europe and the agreement between Efta and the EC to create a massive trading area may create forces to pull companies away from the centre. Cities such as Stockholm, Copenhagen, Dresden, Prague and Vienna may come more to the fore as the European market spreads north towards the Arctic and east towards the Soviet Union.

The geography of European companies which finally emerges is unlikely to be as simple and neat as a banana. It is more likely to resemble a bowl of fruit salad.

Joe Rogaly

Tory health warning

Don't blame Mr William Waldegrave if the Conservatives are thrown out because of the row over the National Health Service. Blame Mr John Major. For it is not the secretary for health but the prime minister who bears the responsibility. Who would be the first to admit it.

To see why, go back to the beginning. Soon after Mr Major took office on November 28 last year, he and his close colleagues discussed what had to be done to ensure victory whenever the election came. Four important decisions were taken. The economic priority was to be the defeat of inflation. The government would adopt a more positive approach towards the European Community. The poll tax was to be abolished. And, fourth, some of the social policies espoused by Mrs Margaret Thatcher would be softened, as they have been by the increase in child benefit and the production of the Citizen's Charter.

This was all fine and dandy, but a fifth decision should have been taken at the same time: to put the reforms of the National Health Service on hold. Do not misunderstand me. The reforms are mostly sensible. Yet it was always clear that Labour would benefit if anything went the slightest bit wrong after April 1, the vesting day for the new system of internal quasi-markets. Mrs Thatcher had come to the same conclusion six months before she left office.

The point was so obvious to the Department of Health that its strategy was labelled "solid state" – meaning that the new contracts between purchasers and providers of services were to replicate what had happened without contracts in the preceding year. During the first 12 months – that is, until the spring of 1992 – nothing was to move. The health service would tick over as before. Only the paperwork would change.

I had thought that Mr Waldegrave understood this, or, at the least, that he had been instructed to understand it. Clearly such faith in the wisdom of the new administration was misplaced. The explanation for Mr Major's act of omission, if that is what it was, is that he was preoccupied with the Gulf war at the time. Explanation it may be, but the political cost could be high. For no sooner had the first NHS hospital trusts been established in April than the headlines began to sprout. Here a budget had gone awry. There a trust management had decided to pay itself an outrageous sum. Elsewhere, patients were charged, or turned away.

The issue was ruthlessly exploited by Labour during the Monmouth by-election campaign. After the Conservatives lost this supposedly "safe" seat on May 16, the prime minister decided to tackle the opposition head-on. So briefed, Mr Waldegrave led a ministerial chorus whose purpose was to establish that Labour was lying when it said that the government intended to privatise the NHS. The consequence was an increase in Labour's lead.

At this late stage the only feasible way is forward, head down

At this point you or I might have drawn the conclusion that there was a political lesson in there somewhere. Perhaps it was time to change the policy, or the minister, or both. The prime minister chose to press ahead. The object was to win the argument, in direct combat with some of the slickest and least scrupulous propagandists in postwar British history. This may prove difficult. The country will not listen to the government's protestations. Mr Major's personal affirmation that the NHS will not be privatised, made at the Tory conference in Blackpool, seems not to have been heard.

We should not be surprised. Just the other day the second wave of applications for NHS trust status was approved, with a small concession to political realities made in the special case of London. (The opting-out in the capital will be delayed, pending a special inquiry.) Mr Waldegrave delivered an effective conference speech and performed well in the House of Commons on Monday.

Unfortunately the good done thereby was diminished because the health secretary had indicated in a TV interview on Sunday that tax relief for private medical insurance taken out by pensioners might be abolished. This broke the golden rule that only chancellors may speak about taxation. By all accounts the chancellor was much displeased.

We cannot lay all the blame for what happened next on Mr Major. He was in Harare at the time. There was, however, a distinct absence of a leadership voice able to say: "The best thing to do about William's slip is to keep quiet." This did not happen. Instead, Mr Major's stand-in, Mr John MacGregor, did the decent thing and half-retracted on Mr Waldegrave's behalf at question time on Tuesday, and the hapless minister himself was obliged to eat his own words on Wednesday. The seamless web of omniscient administration had begun to disintegrate.

Now the government appears to be stuck. One of its ministers has only to say "NHS", in any context whatsoever, and Labour scores. If Mr Major did what he might have done in May, and either moved Mr Waldegrave or suspended the opting-out, or both, we would accuse him of panic under fire. It is probably true that at this late stage the only feasible way is forward, head down. The next debate may follow the publication of a white paper setting out a "patients' charter". Television coverage of that is unlikely to favour the government.

Private polls taken for the Tories indicate that the Labour lead of 7 per cent in the most recent published poll is not wildly out of line. A further indication of the public mood will come at the three pending by-elections on November 7. The government expects to lose the two seats of the trio it holds. Meanwhile, Mr Major's task is to save his party from a loss of nerve. He showed sound judgment when he decided not to hold a general election this year. His generalship will be put to the supreme test on or around May 7 next year.

LETTERS

The pressure for Sir Bryan Carsberg to speak out on BT profitability

From Mr Ian Ellison.

Sir, Most observers would agree with your leader ("Oftel must speak out," October 23) that the government has rushed its telecommunications policy review. The failure to consider the issues raised by BT's market power means, as you rightly stress, that Sir Bryan Carsberg effectively determines BT's profits and share price.

This is not what was intended at the time of privatisation in 1984. Sir Bryan was not expected to control prices through a series of secret agreements reached in secret negotiations but by a process of more open discussion. This was to be based on analysis published using powers in section 48 of the Telecommunications Act and was to culminate in a formal review by the Monopolies and Mergers Commission. The MMC has been given special powers to determine whether such matters as BT's prices and profits operate against the public interest. If earlier this year Sir Bryan had published his analysis of BT's costs, prices and profits and the MMC had appraised the new BT price control formula, as expected, much of the present uncertainty would have been avoided.

Your proposal that Sir Bryan should publish his ideas on a reasonable level of profitability for BT is particularly timely. A new price control formula is scheduled to come into force in mid-1993. The MMC, with no experience of BT's affairs, will require a good 18 months to consider all the issues and to form a view on BT's prices and profits.

Sir Bryan will therefore need to make a formal reference to the MMC early in the new year. But any formal reference to the MMC must be preceded by the publication of Sir Bryan's initial ideas about profitability and rates of return and by open discussion of these ideas so that Sir Bryan can modify his ideas before sending them off to the MMC for detailed scrutiny.

By a happy coincidence, this means that Sir Bryan needs to publish his initial ideas in the next few weeks and well before the sale of the government's remaining shareholding.

Ian Ellison,
Beedon Hill House,
Beedon,
Near Newbury,
Berks RG16 8SG

From Mr Laurence Heyworth.

Sir, Your trenchant leader ought to shame Sir Bryan Carsberg into making a statement ahead of the government offer for sale of BT shares.

It is also possible to argue that Sir Bryan has a *duty* to speak out. The Telecommunications Act 1984 imposes duties on the director-general to promote the telecommunications industry in the UK. One of his general duties is to exercise his functions in the manner which he considers best calculated "to secure that any person by whom any such [telecommunication] services falls to be provided is able to finance the provision of those services". In the long run, companies are unlikely to be able to finance themselves satisfactorily if the investment community is not kept properly informed about the regulatory picture. Investors' need for a clear statement of Sir Bryan's regulatory principles has never been greater than it is now, in the weeks before the government offer for sale.

Laurence Heyworth,
director,
Robert Fleming Securities,
25 Copthall Avenue,
London EC2R 7DR

How equities are affected by governments

From Mr J N Littlewood.

Sir, There is an impression to be gained from your columns, and from occasional wider comment, that as far as equity share prices are concerned it matters little whether Britain has a Conservative or Labour government. One article ("Politics and the pound", October 12) claimed that past records were "inconclusive", and another ("Indexed bonds: a hedge against deflation", October 14) "Labour governments have usually been good for industrials". These claims are simply not supported by the facts.

Conservative and Labour have each enjoyed three periods of continuous office in the post-war period. Using the FT Index linked to the All-Share Index, and adjusting for inflation (and calculated from polling day to polling day), equities under Labour have shown consistent losses in real terms in all three periods of 8 per cent (1945-51), 13 per cent (1964-70) and 11 per cent (1974-79). Even these percentages flatter Labour because the market was beginning to discount the Conservative victories in 1951 and 1979 prior to polling day.

Under the Conservatives, there have been two periods of sustained equity performance with increases in real terms of 75 per cent (1951-1964) and 78 per cent (1979-1991), and one loss of 11 per cent (1970-74).

It may well be that Labour chancellor John Smith is persuading people that it will be different next time, but Labour policies on taxation and dividends, and attitudes towards profits and the stock market, have in the past been unhelpful to share prices.

Before the crash of 1987, it was fashionable to say that nobody in the City under the age of 33 had experience of a bear market. It may be observed today, that nobody under 33 has experience of a Labour government.

J N Littlewood,
Mavins Court,
Greenhill Road,
Farnham, Surrey GU9

Guessing over effects of financial liberalisation

From Mr Giles Keating.

Sir, There is a strong sense of "shutting the stable door after the horse has bolted" in the Treasury's plan for research into the effects of the financial liberalisation of the UK economy ("Treasury seeks to assess financial liberalisation", October 21).

No one knows what the great inadequacies of forecasting models will be in the next few years, but we can make some guesses and prioritise research in those areas. I would suggest a few topics. Short term, the impact of the uncertainty about future tax regimes on the housing market, with vendors setting prices with regard to a Tory system, purchasers musing on Labour tax plans and no deals being made resulting in a lack of transactions and reduction in consumer spending. Medium term, dramatically changing regional fortunes in the UK, due to imbalanced infrastructure investment in the 1980s, the uniform business rate and overleveraging in the south – all tending to benefit the north and, among other things, improving wage performance by limiting mismatch. Long term, the single currency and increasing "Europeanisation" and an already increased and rising proportion of trade, direct investment and M&A with the EC rather than US.

There is scope for extending the list but the point is that we should be looking to the future. Past mistakes may have some lessons for the future, but examining them must fight with other topics for scarce research resources.

Giles Keating,
executive director,
Credit Suisse First Boston,
2A Great Titchfield Street,
London W1P 7AA

Facing up to sexual harassment

From Mr Peter Cregeen.

Sir, I have seldom read such balderdash (sorry, no sexual harassment intended) as in Lucy Kellaway's article, "Getting sex out of the office" (October 23).

Perhaps the quote from ICI, "that despite having set up all the right complaints procedures they have received not a single complaint", can be taken to mean that women actually enjoy a little bit of what you call harassment, but I call flirting (a dull old world if they didn't)! In my day, if any sexual offence was given, the remedy was very simple – "slap his face". Very effective and far more satisfying than going to a complaints tribunal.

Peter Cregeen,
The Old Rectory Close,
Greatham,
Hants

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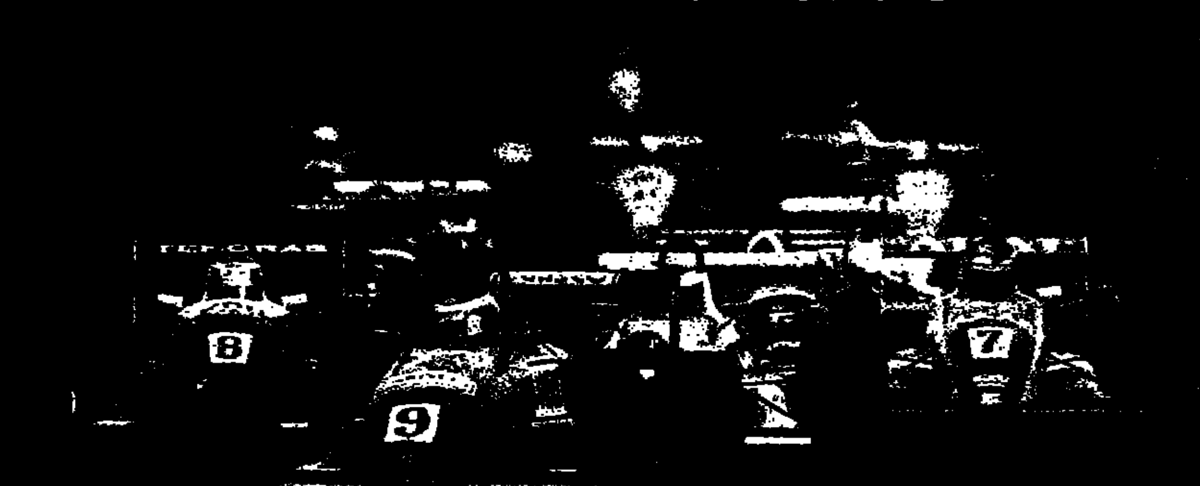

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FINANCIAL TIMES
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Hanoi calls for end to embargo and seeks stronger east Asian ties

US offer fails to satisfy Vietnam

By Alexander Nicoll and Stefan Wagstyl in Hanoi

VIETNAM yesterday appealed for a lifting of the US embargo on business and diplomatic links with Hanoi following Wednesday's signing of the Cambodian peace treaty.

Washington's announcement on Wednesday saying only that it was ready to begin discussing normalisation of relations next month was greeted with disappointment by the Hanoi government and foreign diplomats.

Meanwhile, Vietnam is trying to improve its relations with China and other Asian countries.

In an interview with the Financial Times, Mr Phan Van Khai, deputy prime minister, said: "You should make it clear to the world that it is unfair on the part of the US to continue with the policy of embargo against Vietnam."

He said Vietnam had shown goodwill on the two issues to which the US has linked normalisation: Cambodia, and American servicemen still listed as missing-in-action from the Vietnam war.

Multilateral aid which a lifting of the embargo would release was very important to Vietnam but the country would press forward with its economic development and reform programme even without foreign aid, he added.

European diplomats see the US announcement as the least Washington could have done without provoking public criticism from European governments.

Other countries, including Australia, are believed to be on the point of resuming official aid to Hanoi.

Although the US move is in accordance with its phased re-establishment of relations under the so-called "road map", other countries think Vietnam has done more than enough to warrant resumption of international aid. They see this as desperately needed to back the market-oriented economic reforms in progress.

Vietnam is taking advantage of the international goodwill to improve ties with other Asian countries. According to Mr Nguyen Dy Nien, vice-minister for foreign affairs, Cambodian peace treaty will open a new chapter in our diplomatic activities." Dr Do Muoi, Communist party general secretary, and Mr Vo Van Kiet, prime minister, are to visit Beijing next month for a summit with Chinese leaders which will mark a dramatic strengthening of their relations.

The rapprochement was a big factor in the making of the accord on Cambodia, where a Vietnam-backed government has been fighting the Chinese-supported Khmer Rouge for 13 years. Mr Nien said China and Vietnam would shortly sign trade and economic agreements, as well as accords on shipping, air travel and border formalities.

Even though the collapse of communist rule in the Soviet Union has left China and Vietnam as the two largest surviving Communist countries, Mr Nien said ideology had nothing to do with the rapprochement. "We are a small country and China is our big neighbour."

Vietnam also aims to improve ties with rapidly-growing east Asian countries and senses an opportunity to renew a long-standing effort to join the Association of South East Asian Nations.

Vietnam's increased willingness to resolve the issue of repatriating boat people from Hong Kong camps is also a sign of its desire to improve regional ties.

Croatians call truce in Dubrovnik

By Laura Silber in Belgrade

A TRUCE was agreed yesterday between Croatian forces in the embattled Adriatic port of Dubrovnik and the Yugoslav army which has been pounding them for the past three weeks.

Mr Simon Smits, spokesman for 200 European Community ceasefire monitors in Croatia, said the local truce had been accepted by the army at 5pm, a day after the bombardment was reported to have taken its first toll of the historic buildings inside the medieval-walled city.

The ceasefire came as the Serb-controlled state presidency of Yugoslavia said it would refuse to attend EC-sponsored peace talks in The Hague today.

Earlier the army recaptured Kupari, four miles south-east of Dubrovnik.

It denied it had attacked the historic centre of Dubrovnik on Wednesday, accusing the Croats of staging the explosion, which was reported to have damaged a museum and a Franciscan monastery.

Battles also raged elsewhere in Croatia, shattering the 10th ceasefire in four months of fighting in which more than 1,000 people have died.

Mortars again pounded Vukovar, the besieged town in eastern Croatia on the river Danube which marks the frontier with Serbia. Tanjug, the Yugoslav news agency, reported fighting around Karlovac, 25 miles south-west of Zagreb, the capital of Croatia, and Nova Gradiska, central Croatia.

Mr Branko Kostic, vice president of the country's collective leadership, said the presidency could not participate in today's session at The Hague because Croatia had not lifted its blockade of army garrisons. He said the rebel republic had not implemented the ceasefire ordered last Saturday by the army and Croat leaders.

However, Serbia has also rejected the EC proposal to transform Yugoslavia into an association of six independent states.

Moreover a potential rift with Montenegro could damage Serbia's military strategy. The small republic is traditionally a close Serbian ally but last week accepted the EC plan. Mr Kostic is a Montenegrin.

Protests against the war are growing in Montenegro. While thousands of Serbs have dodged the draft or deserted the front, it is the Montenegrins who are fighting at Dubrovnik. Yesterday a parliamentary commission was set up in Montenegro to demand the withdrawal of Montenegrin reservists from Croatia.

Complicating things further, Slavic Moslems in Sandjak, a region in southern Serbia which borders Montenegro, will today hold a referendum on autonomy.

Eurotunnel to meet contractors over costs

By Andrew Taylor in London

EUROTUNNEL, the Channel tunnel operator, and the 10 contractors building the £8bn ($13.7bn) project are to hold talks to try to resolve the dispute about construction costs.

Transmanche Link (TML), the consortium formed by the contractors to build the tunnel, is claiming more than £1bn in extra payments. It had threatened to halt work on parts of the project unless it was paid the full rate for the job.

Both sides have previously failed to agree a framework which would allow formal negotiations to begin over TML's claims, which are strongly disputed by Eurotunnel.

The agreement that talks should start follows an exchange of letters between senior executives in the past fortnight.

The negotiations will be between Mr Jack Lemley, chief executive of TML, and Mr John Neerhout, chief executive in charge of managing the construction contract for Eurotunnel.

The two men are Americans with wide experience of large international construction projects. Mr Lemley was formerly an executive vice-president of Morrison-Knudsen engineering group in the US.

Mr Neerhout, executive vice-president of Bechtel, has been seconded by the US engineering group to manage the tunnel's construction.

Both sides privately described the decision to start talks as an important breakthrough in the dispute which prompted Eurotunnel last week to seek a court injunction to prevent contractors from carrying out a threat to halt work on installing a cooling system in the tunnel.

They warned not to expect immediate results from the discussions, which would involve a series of meetings and would cover complex issues.

In a separate move, Mr Peter Drew, chairman of Taylor Woodrow, one of the five British members of TML, proposed to Eurotunnel that a discussion "chaired by an entirely independent, positive-thinking person of stature" should take place to help resolve the conflict.

A nurse joins marchers in Paris as unions staged a 24-hour strike yesterday

Parisians take general strike in stride

Continued from Page 1

The disputes, however, are linked only by a sense that the government is now more vulnerable than ever, as President Mitterrand and Mrs Edith Cresson, the prime minister, lose popularity and economic policies come under question even from senior members of the governing party.

The lack of co-ordination was evident yesterday when FO activists, supported by grumpy Parisian taxi drivers, demonstrated in central Paris while several thousand members of the organisationally professional CGT staged a separate grand march across town to Mrs Cresson's office.

Mr Mitterrand has responded by handing out cash to farmers and public service unions but his action has caused near heart attacks in the Finance Ministry. He has condemned violence by farmers and others, but voiced sympathy for their plight.

Mr Alain Juppé, secretary general of the Gaullist RPR, condemned the apparent ambiguity as "the stick and the carrot ... a kind of panic".

Pentagon investigates Attwoods unit

Continued from Page 1

going to be dropped," he added.

News of the Pentagon's investigation follows a $2m settlement earlier this year of a long-standing case against Mr Jack Casagrande, an Attwoods director, and group subsidiaries in Florida. As well as alleging fraud, the charges related to supposed violations of the federal and Florida Racketeer-Influenced Corrupt Organisations (Rico) acts.

Attwoods' Eastern Waste subsidiary is also under investigation by the Maryland attorney general's office in relation to possible violations of the state's anti-trust laws.

In an earlier anti-trust suit against Attwoods' IWS subsidiary in Florida, IWS's lawyer invoked the British prime minister's office in support of his client, pleading in his client's favour that the British owners of the company were connected with many prominent people including Mrs Thatcher.

Attwoods said it needed the cash from the rights issue to meet short-term borrowing requirements, after failing to negotiate long-term loans with US and UK banks. Laidlaw, the Canadian waste group which is Attwoods' main shareholder, will sub-underwrite the cash call. Mr Michael Ashcroft, chairman of ADT, the Bermuda-based car auction and security group, has resigned as a non-executive director.

US envoy to Soviet Union fears loss of central authority

By John Lloyd and Jurek Martin in Moscow

THE US fears that loss of central authority in the Soviet Union will delay indefinitely the final ratification of present and future treaties between the two countries – including the Start nuclear arms reduction treaty, of which the terms are now being implemented.

It also sees a danger of social breakdown this winter, precipitating political chaos and a seizure of power by demagogic leaders.

Mr Robert Strauss, the new US ambassador to the Soviet Union and a leading political figure in the US, said in an interview yesterday: "I am unable to give firm answers on this [ratification]. I can give my own opinions, but Congress will want hard facts.

"There is no question that power is drifting away from [President Mikhail] Gorbachev to some extent, though he's left with considerable power still, including that of his personality. I don't think we know where power will settle in this country and I don't think we will for some time. That's what makes it so difficult here."

However, Mr Strauss added that the partnership between Mr Gorbachev and Mr Boris Yeltsin, the Russian president, was effective, and "that is a very positive force here". The ambassador said Mr Yeltsin was determined to attempt to keep some form of union together.

He warned that the coming winter could see severe disorder, perhaps leading to seizure of power by authoritarian or demagogic leaders. Citing conversations with senior Soviet politicians and policy analysts – "the best minds in the country" – Mr Strauss said that "they don't see much danger, if any, of a coup of the kind we last saw. But what is of concern is something born of disintegration, a spontaneous uprising taking place, in the streets, leaderless if you will, but with a united thrust. And in that climate it is very easy for demagogues to come up and take over. And that's a very dangerous thing."

Mr Strauss said the west had to be fully engaged in assisting the Soviet Union, though he acknowledged that there were limits set by the domestic political demands of western electorates. However, he said that in the long run assistance to Soviet development as a democracy and as a market economy was "in our selfish interests" because of the size of the market.

"Just think what the world will become in 10 years' time if we can pull this off. We will have the greatest period of growth the world has ever seen. We will be able to get rid of many of the weapons of mass destruction. If we can help pull off this transition we will have enriched ourselves. It is an unbelievable market: think of all the things they need."

However, the ambassador laid more stress on "small scale" assistance than on large government programmes or big schemes of private investment – citing the example of oil wells, where redrilling by small oil companies would improve output of the given wells by two or three times. He said a group of US industrialists would come to Moscow next week to discuss collaboration in defence conversion with military and industrial officials.

Mr Strauss, the most senior US political figure to be an ambassador, was a cabinet member in the Carter administration and, though the appointee of a Republican president, remains an important figure in the Democratic party. He said president George Bush had told him that "[Mr James] Baker [US secretary of state] and I are going to be intensely engaged with the Soviets and we want you to help us over there. Someone we know and trust who has experience – it will send the right signals to the Soviets, and to the Europeans and others."

The ambassador, who will be 73 before the end of the year, has ordered a redecoration of the residence – having fired the first, Russian, contractors who "wanted to be paid in hard currency but to work in the old way".

THE LEX COLUMN

Papering over the cracks

After several weeks of mounting depression, the FT-SE finally slid yesterday below the trading floor it established in its summer rally. Moving out of the 2,550 to 2,650 range may or may not be significant, but the fact remains that there is remarkably little to be cheerful about. Political apprehension grows by the day, a form of neurosis no doubt afflicting the real economy too and further delaying the eventual recovery. Sector anxieties look to be piling up: yesterday, oils were depressed by weakening crude prices, property shares wobbled on new worries that asset values are not what they seem and the insurance composites took fright from the prospect of substantial North American losses as well as the continuing nightmare of mortgage guarantee liabilities.

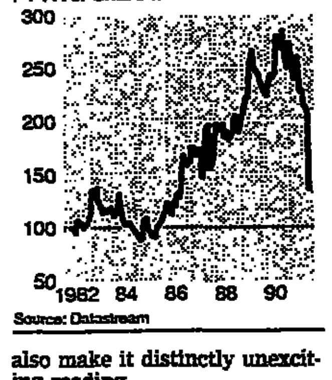
More generally, the hostile response of institutional sub-underwriters to the Attwoods rights issue reinforces the theory of a cash flow crunch. Attwoods may not have had much of a City of London fan club anyway. But quite apart from investors' distaste for the company's habits, there was the question of whether they could afford it. Already left with 52 per cent of Hillsdown which they do not want, they may have other issues to mop up in the next few days.

More significantly perhaps, there are precious few genuine cash bids around to put money back on the table. It is scarcely unusual for the corporate sector to disagree with portfolio investors on matters of timing. The fact that companies are willing to soak the market for cash but not to bid for assets at current prices ought to provide food for thought.

FT-SE Index: 2,528.3 (-32.8)

Attwoods

Share price relative to the FT-A All-Share Index



Source: Datastream

BTR/Hawker

It is difficult not to sympathise with the gist of Hawker Siddeley's attack on BTR's accounting methods, even if it is going a bit far to imply that the downturn at BTR Nylex has nothing to do with the Australian recession.

But the very force of the attack betrays an attempt to distract from what is otherwise an exceptionally weak defence. Hawker has already shot itself in the foot by countering the BTR offer with a large-scale disposal plan which it appears unable to fulfil in the near future.

Now it may well have done so again. Its pious approach to accounting means any eventual profit forecast will have to be above reproach. That will also make it distinctly unexciting reading.

This is not to say that all is now plain sailing for BTR. Its paper bid is still worth more than the 700p cash alternative, but only thanks to the inclusion of Hawker's 10p net interim dividend. Even then, it is well below the actual Hawker price of 728p. Evidently, the market is gambling that BTR will increase its offer on the grounds that, after Norton and Pilkington, it cannot afford to walk away. But BTR has also underperformed the market by 4 per cent since the bid was launched, which means that investors also think it is paying too much already.

Worse still, at yesterday's 380p close, BTR is 5p below the level at which the cash alternative was underwritten. The risk is that victory would carry a heavy price whereby acceptances are all for cash and the underwriters are left with an £850m overhang of BTR equity. One answer might be for BTR to revise and increase its offer, although the scale could hardly be drastic. Another might be to hold tight and hope that its share price recovers as the market realises there will be no increase. Either way, it seems unlikely that Hawker investors can beat the price which their shares now fetch.

Attwoods

The question Attwoods shareholders are entitled to ask is why, if the banks have refused point-blank to roll over a mere £29m loan, they should hand over £80m instead. The obvious, if alarming, answer is that without yesterday's rights issue the receiver might well be banging at the door. Due in part to what looks to have been faulty financial controls, the company found itself without alternative lines of credit to fall back on when one of its leading US lenders went bust.

There may have been an element of bad luck in all this. But the company's experience provides a classic lesson of why not to use short-term money to acquire long-term assets. The heady expansion programme of the last few years has also involved frequent increases in the volume of Attwoods paper, which in itself may well bring earnings per share growth shuddering to a halt this year and restrain progress thereafter.

The main encouragement is a relatively well-chosen portfolio of assets in a waste industry sector now embarking on more difficult times. The SEC filing in May demonstrates that there are unquantifiable risks, and that the company's historic record is not so impressive under GAPP accounting rules. The fuss over Mr Ashcroft's departure, moreover, has obscured the fact that the people who got the company into this mess are still in charge.

Currencies

It looks as though old fears could return to haunt the dollar. A 4.6 per cent annual growth rate means Germany's M3 money supply is now pushing towards the top of its target range, reviving expectations of a German interest rate increase before too long. Weak US durable goods orders – albeit heavily influenced by declines in aerospace and defence – and higher first-time jobless claims yesterday again fixed attention on possible easing by the Federal Reserve.

There must still be doubts about timing. The Bundesbank may want to wait a week or two until the money market is better prepared and to maximise the impact on Germany's annual wage round. The Fed's task has been complicated by Washington talk of tax cuts which destabilised the bond market last week. It would scarcely want to cause a new sell-off in bonds with a monetary easing that the market perceived as inflationary.

None the less, the opposing pull in interest rates may turn out negative for the dollar, which dipped below DM1.70 at one stage yesterday. If the Bank of Japan cuts its rates too, that could exercise quite a strong upward pull on the D-Mark. All of which would be bad news for sterling, which is still languishing second from bottom in the ERM.

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Bahrain	S	30	86
Bangkok	F	32	90
Barcelona	S	16	61
Beirut	C	25	77
Belfast	C	8	46
Belgrade	F	9	48
Berlin	Dr	6	43
Biarritz	S	14	57
Bombay		-	-
Bordeaux	S	11	52
Boulogne	C	12	54
Brussels	C	11	52
Budapest	F	7	45
Buenos Aires	F	20	68
Cairo	S	29	84
Cape Town	S	25	77
Caracas	C	28	82
Casablanca		-	-
Chicago	T	19	66
Cologne	C	10	50
Copenhagen	S	11	52
Corfu	F	18	64
Dallas	C	24	75
Dublin	Dr	9	48
Dubrovnik		-	-
Edinburgh	C	7	45
Faro	S	20	68
Florence	S	15	59
Frankfurt	C	11	52
Geneva	S	9	48
Gibraltar	C	17	63
Glasgow	C	6	43
Helsinki	F	1	34
Hong Kong	S	26	79
Innsbruck	S	9	48
Inverness	C	9	48
Islamabad	F	28	82
Istanbul	F	12	54
Jakarta	C	32	90
Jersey	C	11	52
Johannesburg	C	24	75
Lima	C	20	68
Lisbon	S	16	61
London	C	10	50
Los Angeles	S	14	57
Luxembourg	C	8	46
Madeira	R	19	66
Madrid	F	13	55
Majorca	F	17	63
Malaga	F	18	64
Malta	F	23	73
Manchester	C	8	46
Manila	F	33	91
Melbourne	C	15	59
Mexico City	C	24	75
Miami		-	-
Milan	S	12	54
Montreal	S	5	41
Moscow	Sn	1	34
Munich	C	8	46
Nairobi	F	27	81
Naples	S	17	63
Nassau	C	30	86
New Delhi	S	29	84
New York	C	16	61
Nice	S	17	63
Nicosia	S	24	75
Oporto	S	18	64
Oslo	S	9	48
Paris	C	11	52
Peking	S	18	64
Prague	R	5	41
Reykjavik	R	7	45
Rhodes	F	23	73
Rio de Janeiro	F	37	99
Rome	S	17	63
Salzburg	F	9	48
San Francisco	S	12	54
Seoul	F	16	61
Singapore	F	32	90
Stockholm	F	5	41
Strasbourg	F	10	50
Sydney	C	21	70
Taipei	F	26	79
Tangier	F	19	66
Tel Aviv	F	26	79
Tenerife	S	22	72
Tokyo	C	19	66
Toronto	C	16	61
Tunis	S	23	73
Valencia	R	15	59
Venice	S	13	55
Vienna	R	5	41
Warsaw	F	6	43
Washington		-	-
Zurich	S	9	48

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

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COMPANIES & MARKETS
Friday October 25 1991

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INSIDE

Davies & Newman 'lost £600,00 a day'

Shareholders of Davies & Newman Holdings, owner of the Dan Air airline, heard how during the Gulf war, "when not even pigeons were taking to the air", the company was losing £600,000 ($1.26m) a day. Mr David James, chairman, told the audience the company had come close to death on several occasions and was now reborn. Page 29

Amazonia no longer glisters

Mr Zé Arara is a legend among Brazil's wildcat gold miners. Having already made and lost three fortunes he now believes he is on his way to the fourth. Some say the goldrush is over, Mr Arara disagrees. A bizarre figure of 60 with a straw hat and sagging stomach, he once owned 41 shops and 17 aircraft and claims to have sold 15 tonnes of gold to Brazil's central bank since 1973. Page 30

A spark of life in Korean SE

The countdown to direct foreign investment in the South Korean stock market – the largest in the world still closed to international investors – is bringing a spark of life to the slumbering exchange. Shares favoured by foreigners, such as Korea Mobile Telephone Company, have made strong gains over the last few weeks, but the same cannot be said for the whole market. Back Page

Brussels copes with 'Little Bang'

Since December, Mr Jean Peterbroeck, president of the Brussels bourse, has had to cope with a devastating fire in its 19th century headquarters, a slump in equity trading volume, and the repercussions of Belgium's "Little Bang" programme of market reforms. The liberalisation of the stock exchange – brainchild of reformist Belgian finance minister Mr Philippe Maystadt – took effect from the beginning of this year. Page 26

Worse to come for US banks

The US commercial banking industry, which has been hit hard over the past 18 months by bad property loans, may not yet have seen the worst of the American property downturn, according to a gloomy assessment from Salomon Brothers, the securities house. Page 24

Skanska falls sharply

Skanska, the largest construction company in Scandinavia, reported a sharp drop in its profits (after financial items) to SKr1.19bn ($192m) for the first eight months of the year, down from SKr1.71bn for the same period of 1990. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			**PARIS (FFr)**			
Rises			Rises			
AG Ind & Verk	760	+ 18	Accor Entrepr	1054	+	49
Aachen Mch Rei	735	+ 10	Fonc Lyonnaise	624	+	15
Zanders Feinpp	365	+ 5	Hachette	171	+	12.2
Falls			Pallet	457	+	15
Kali & Salz	152	– 5.2	Falls			
Linotype-Hell	378	– 16	Dollfus Mieg	310	–	15
Schering	805	– 11.5	Taittinger	3050	–	48
NEW YORK ($)			**TOKYO (Yen)**			
Falls			Rises			
AMR	62 3/4	– 1 1/2	Fuso Lunst	1520	+	110
BankAmerica	38 7/8	– 1 1/4	Godo Shusei	1770	+	180
Delta	65 5/8	– 3 3/4	Hayashikane	534	+	34
Harley-Davidson	40 5/8	– 11 1/2	Jeol	982	+	66
ICI ADRs	86	– 2	Toyo Sugar	544	+	36
UAL	130 7/8	– 3 3/4	Yomeido	1070	+	90
LONDON (Pence)						
Rises			Bellwat	43	–	35
Hasmoccell	178	+ 9	Card Group	97	–	24
Haynes Publ	170	+ 7	Domestic&Gen	830	–	25
Hicking P'cost	103	+ 15	Elec Prop	2618	–	42
News Int SpDiv	255	+ 15	Eurotunnel Uts	488	–	24
Prectib A	255	+ 35	First Nat Fin	54	–	8
WPP Group	54	+ 4	Globe Pet	39	–	6
Falls			Greycoat	121	–	18
Airflow Stream	100	– 34	ICI	1248	–	39
Assoc Br Foods	453	– 14	Jarvis	43	–	4
Attwoods	129	– 46	Royal Ins	305	–	17
Blacks Leisure	100	– 7	Thames TV	195	–	8
BP	336 1/2	– 10 1/2				

Sluggish domestic and US sales undermine pre-tax profits in the first half

Sharp falls at Japanese electronics groups

By Robert Thomson in Tokyo

JAPAN'S leading electronics companies yesterday reported sharp falls in pre-tax profits for the first half.

The companies blamed a slowing of domestic growth and continued weakness in the US for sluggish sales of semiconductors and business computers, but also noted no new products emerged to stimulate demand in the consumer electronics market.

Toshiba was hardest hit. Parent company sales fell 3 per cent to Y1,536.6bn ($4.07bn) in the six months to end September, but pre-tax profit was down 62.6 per cent to Y38.5bn. It said product prices had declined in several areas because of tougher competition. Depreciation and personnel costs rose, and foreign exchange losses rose because of the yen's appreciation.

The company again cut its forecasts for the full year to end-March. At the start of this year, the company had forecast pre-tax profit of Y175bn, which it revised to Y140bn a month ago. It now expects Y130bn, down 25.9 per cent on last year.

Each of the companies said that the collapse of Japan's financial "bubble" and the securities industry scandals had affected sales of equipment to the financial industry. Lower growth in capital spending by Japanese manufacturers this year had also reduced sales.

● Hitachi reported a 7 per cent increase in sales to Y2,008bn, but said that the cost of sales had risen 9 per cent because of higher labour and depreciation charges. The company explained that margins had been squeezed by rising production costs among its subcontractors and discounting in the semiconductor and computer industries had also cut profits.

For the full year, Hitachi expects a 4 per cent increase in sales to Y3,950bn with pre-tax profit likely to fall 27 per cent on last year to Y150bn.

● NEC reported a 6.2 per cent increase to Y1,463.9bn in sales for the half, with sales of telecommunications equipment down slightly, computer and related technology sales up 13.9 per cent, and sales of electric devices, a marginal 0.7 per cent higher, and orders for electric devices down 3.1 per cent.

For the year, NEC expects sales to rise 7 per cent but pre-tax profits to fall 4 per cent to Y135bn.

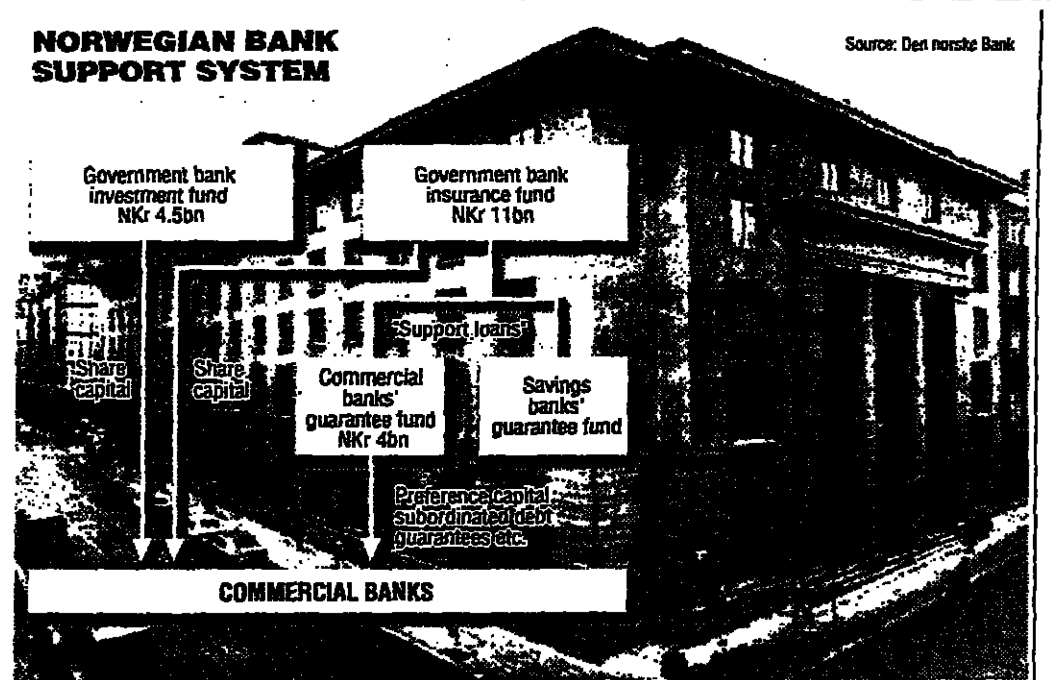
● Mitsubishi Electric reported a 3 per cent increase in sales to Y1,234.4bn, but a 24.5 per cent fall in pre-tax profit to Y46.8bn. It expects full-year profits to fall 19.3 per cent to Y110bn.

Market saturation, Page 23

Karen Fossli in Oslo **and Robert Peston** analyse

The troubles of Norway's bankers

NORWEGIAN BANK SUPPORT SYSTEM



Appearances are deceptive in Norway. The banks' modern offices may suggest considerable prosperity, but in the past year, the country's three commercial banks, Fokus Bank, Christiania Bank and Den norske Bank (DnB), have either tapped government funds or are about to do so, in order to replenish capital which has fallen to dangerously low levels.

Last week Christiania Bank, Norway's second biggest bank, disclosed that it had lost all its equity and faced technical insolvency.

Then on Tuesday, DnB, the biggest bank, retracted a statement made just eight days earlier that it would have sufficient capital at the end of the year to meet regulatory requirements.

It warned that it needed an injection of new capital to meet the condition – imposed by the Norwegian Banking, Insurance and Securities Commission – that it should have a 5.6 per cent ratio of capital to assets by the end of the year.

To put DnB's plight into context, 5.6 per cent is several percentage points below the ratio maintained by most of DnB's overseas competitors – and considerably less than the new international standard of 8 per cent, to be imposed in Norway at the end of 1992.

The unexpected depletion in DnB's capital was the result of a new assessment of how much the bank needs to put aside in provisions to cover losses on loans in its results for the three months to October 31.

In its latest statement, DnB said it would make loan loss provisions of NKr1.6bn ($239.7m) in the third quarter.

It also said there would be a debit of NKr400m to cover the fall in value of its direct investments in property.

Loan losses for the first nine months of the year will therefore be NKr3.8bn in aggregate, equivalent to more than 2.5 per cent of all its loans – an alarmingly high rate of loss.

How could DnB's fortunes have deteriorated so rapidly in just a week?

The Oslo Stock Exchange is likely to demand an explanation soon.

Sitting in his post-modernist office overlooking Oslo harbour, Mr Finn Hvistendahl, DnB's president and chief executive officer, gave his account of events. He rejected suggestions that the rapid change in his bank's view of its balance sheet strength demonstrated a lack of adequate financial controls.

"We put out the original statement at the request of the stock exchange," he said.

DnB's share price was dropping sharply, following Christiania's disclosure of its massive losses.

DnB was then asked to respond to speculation about its own financial position.

But it had not yet had the results of a thorough review of its loan portfolio, which it had been carrying out in preparation for an issue of new shares planned for November to raise an estimated NKr2.2bn.

This review took six weeks, beginning with the manager of each bank branch providing an assessment of the quality of their loans.

Information from the branches was then collected centrally, where it was reviewed both by the banks' executives and by its auditors, Arthur Andersen.

"Head office's quality assurance process led to a stricter judgment on valuations than what came out of the branches," Mr Hvistendahl said.

The decision by head office and its auditors to make bigger provisions may in part have been motivated by a desire to pre-empt any future allegations that profits have been overstated.

DnB's directors are mindful that Christiania's new management team has launched an inquiry into whether the previous regime gave a true and fair view of the bank's performance.

Following the rescue of Christiania and Fokus, the whole banking system will in effect have been nationalised.

DnB's exposure to property is at the heart of its difficulties. At June 30, it had direct holdings of property totalling Nkr5.3bn.

Of those, NKr3.1bn were offices occupied by the group and NKr1.4bn was property which came into the bank's possession when borrowers defaulted on loans.

Of these repossessed properties, NKr944m was classified by DnB as a fixed asset, because it represented properties which are being held for upgrading and redevelopment. The remaining NKr462m are current assets which DnB hopes to sell immediately.

Since June, DnB has taken possession of considerably more property on defaulted loans.

The NKr400m property write-down is a reflection of the group becoming far more pessimistic about the value of the fixed assets.

"In the past we valued these on the basis of their likely value in three or four years' time," said Mr Hvistendahl. "Now we have decided to value them on the basis of their current value."

"We have taken the view that the problem in the property market is structural, not cyclical," he added. In other words, DnB believes that the over-supply of property, especially industrial property, will take years to diminish.

This pessimism about the property market also explains, in large part, the big increase in loan loss provisions.

"Collateral for non-performing loans is of the same magnitude as the direct investment in property," he said. That means DnB has an exposure to a further amount of property, worth between Nkr5bn and NKr10bn, which is security against loans on which interest payments are 90 days in arrears.

As a result of the increased losses, DnB now needs an estimated NKr3.5bn to meet the 8 per cent capital requirement. Most of this is likely to come from the government. DnB would prefer that it comes from the newly-created state-controlled bank investment fund, which is supposed to use commercial criteria when deciding whether to inject capital – unlike the bank insurance fund, which is simply meant to save a failing bank. However, Mr Hvistendahl cannot rule out the need to call on the insurance fund.

Whichever route is chosen, the scale of the funds required means that the government is almost certain to end up with overwhelming control of DnB's capital.

Following the rescue of Christiania and Fokus, the whole banking system will in effect have been nationalised.

Vital Forsikring; Statoil; Dyno Industrier; and Norsk Hydro, Page 22

Executive Life plan backed by Garamendi

By Nikki Tait in New York

MR John Garamendi, the Californian insurance commissioner, yesterday threw his backing behind a radical proposal from America's state insurance guaranty funds to take over Executive Life of California, the ailing Los Angeles-based life insurer.

However, he also gave the guaranty funds just 10 days to ensure that their offer was secure, asking them to meet nine conditions. The first of these involves establishing the legal authority of such funds to operate an insurance company.

The commissioner's recommendation will be presented to a court in Los Angeles today and follows a lengthy auction process, which began last spring. Executive Life, which owns the largest single portfolio of junk bonds, was seized by the insurance commissioner in April after a policyholder run. At that time, it was America's largest-ever insurance failure.

If the commissioner's recommendation is followed by the court, and the guaranty funds meet the conditions, the decision will be a major blow for a French consortium, thought to be the favourite to win ELIC.

The French bid was led by Altus Finance, a subsidiary of Crédit Lyonnais, and also involved Mutualle Assurance Artisanale de France (MAAF), a large mutual insurer. Under this proposal, Altus would have bought the junk bond portfolio for $3bn.

By contrast, the state guaranty funds – whose offer was made through their umbrella organisation, the National Organisation of Life and Health Insurance Associations (Nolgha) – also plan to recapitalise the insurance business, but say they will retain the junk bond portfolio.

AEG agrees to sell cable arm

By Andrew Fisher in Frankfurt and William Dawkins in Paris

AEG, part of the Daimler-Benz industrial group of Germany, has agreed to sell AEG Kabel, its cable business, to Alcatel Alsthom of France as part of its strategy of concentrating on its main activities and returning to overall profit.

It also hopes shortly to move further out of the heavily loss-making AEG Olympia office equipment business. Smith Corona, of the US, and Samsung, of South Korea, are believed to be interested in buying parts of Olympia. AEG would say only that talks with foreign companies were continuing.

AEG gave no price for the cable deal – which still requires regulatory approval – but the business, which has 5,000 employees in three plants and an annual turnover of DM1.7bn ($1bn), has been valued at up to DM800m. The sale does not include AEG's cable products for car electronics, which have a DM200m turnover.

The company said AEG Kabel would have needed too much investment to make it big enough to compete on the European market. It has 15 per cent of the German market but only 5 per cent in western Europe, where competitors include Siemens of Germany, BICC of the UK, and Pirelli of Italy.

The purchase will lift Alcatel Cable's share in the German market to nearly 25 per cent from about 10 per cent. Alcatel Cable, which reported a 49 per cent rise in net profits last year to FFr1.02bn ($175.4m), on sales up 4 per cent to FFr25bn, has operated in Germany for 10 years through Alcatel Kabelmetal. It has already bought two German cable companies this year, and cable operations in Turkey and Canada.

Alcatel said that with its latest German acquisition it could achieve synergies in research and development, manufacturing, and purchasing.

AEG had little trouble selling its cable subsidiary, but it is struggling to find a solution for Olympia, based in Wilhelmshaven.

At today's AEG supervisory board meeting in Frankfurt, Mr Ernst Georg Stöckl, chief executive, is expected to present a proposal to save the Olympia name.

AEG has made clear it intends to leave the office equipment sector, which is deeply in the red and no longer regarded as central to its activities.

Kuwait $5bn loan oversubscribed

By Sara Webb in London

THE $5bn loan to help pay for the reconstruction of Kuwait after the Gulf war has been considerably oversubscribed, it was announced yesterday. It attracted commitments of $6bn from 24 banks in Japan, the US, the Middle East and Europe, many of which have maintained business relations with Kuwait over several years.

At its launch, some bankers privately admitted the Kuwaiti loan was "a loan which one has to do rather than a loan which one wants to do", an oblique reference to the need to win reconstruction contracts.

However, J.P. Morgan, the US bank which was co-ordinating the loan, said it was pleased with the positive response from most of the banks it had approached.

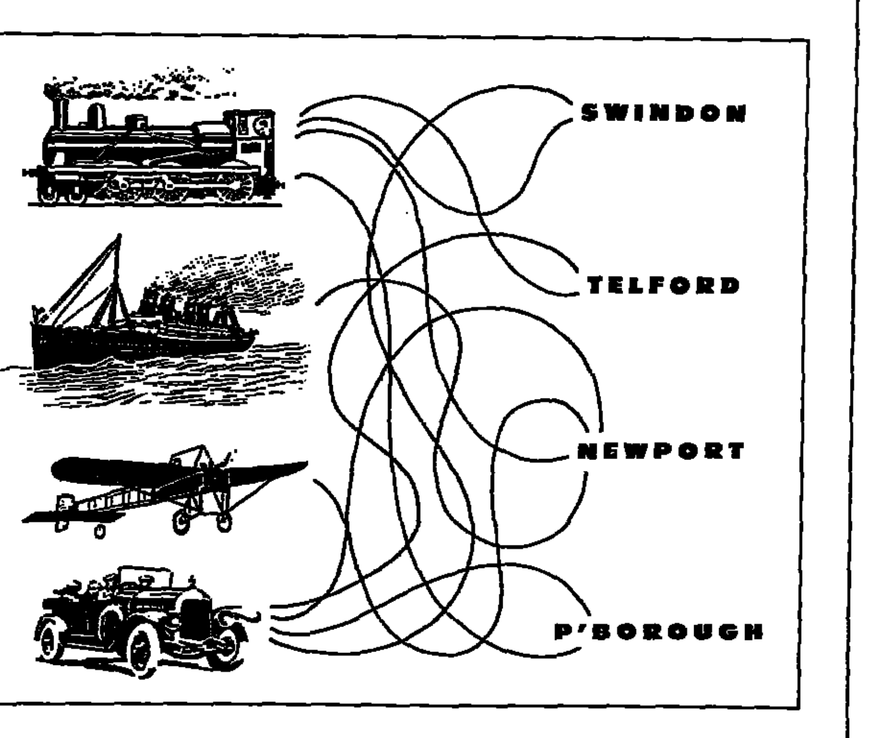
The lead managers are: Arab Banking Corporation, Bank of Nova Scotia, Bank of Tokyo, Banque Indosuez, Banque National de Paris, Banque Paribas, Chase Manhattan, Chemical Bank, Citibank, Commerzbank International, Crédit Lyonnais, Deutsche Bank, Dresdner Bank, Fuji Bank, Gulf International Bank, Industrial Bank of Japan, Morgan Guaranty, National Bank of Kuwait, National Commercial Bank, Société Générale, Sumitomo Bank, Swiss Bank, Union Bank of Switzerland, and Westdeutsche Landesbank.

However, no UK bank has joined, despite having come under considerable pressure from their UK corporate customers. Bankers admitted that UK companies have lobbied them hard to participate. UK companies are worried that the banks' decision not to participate will anger Kuwait and result in a loss of reconstruction contracts.

The British banks did not want to lend substantial amounts to Kuwait, especially since Kuwait carries the full risk weighting under the Basle guidelines on international bank capital adequacy. They may participate once the loan goes into general syndication, lending much smaller amounts.

Each of the 24 lead managers will take $208m of the loan. Once they have sold down their portions to $150m, they can choose to increase their commitment, thereby increasing the total size of the loan. The loan has a margin of 50 basis points over the London interbank offered rate and fees of over 45 basis points for the lead managers.

WHICH TOWN COMES OUT TOPS?



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INTERNATIONAL COMPANIES AND FINANCE

Norsk Hydro's net profits plunge 94% in third quarter

By Karen Fossli in Oslo

NORSK HYDRO, Norway's largest publicly-quoted company, has announced a 94 per cent plunge in third-quarter net profits to NKr39m ($5.84m) from NKr625m in the same period last year.

The deterioration was forced by weak international economic conditions, falling product prices and a NKr500m charge against accounts, announced one week ago, to cover restructuring of the magnesium and fertiliser divisions.

Group third-quarter operating income nosedived to NKr45m from NKr1.56bn a year earlier, because of the huge restructuring charge against third-quarter accounts.

Mr Egil Myklebust, Hydro's president, said his company's third-quarter performance was unsatisfactory but was influenced by international economic conditions and measures being taken to create annual cost-savings of NKr260m.

In the nine-month period to October, group net profits fell to NKr1.04bn from NKr1.90bn last year while operating profits declined to NKr3.00bn from NKr4.63bn.

Norsk Hydro explained that in the third quarter it posted a foreign exchange gain of NKr382m compared with a gain of NKr105m in last year's third quarter but that for the nine-month period a foreign exchange loss of NKr390m was experienced compared with a NKr174m gain last year.

The agriculture side slid into a third-quarter operating loss of NKr431m compared with an operating profit of NKr130m last year. At the nine-month mark operating profits fell to NKr433m from NKr726m.

Hydro said the European market was characterised by pressure on fertiliser prices caused partly by uncertainty over future agricultural policies.

The oil and gas division saw third-quarter operating profits nearly halved to NKr533m from NKr1.02bn last year. For the nine-month period, operating profits fell by NKr339m to NKr1.977bn.

The decline was due to lower crude oil prices, although Hydro's oil and gas production in the third quarter rose to 1.6m tonnes of oil equivalent from 1.5m last year.

GAN rises 1.6% to FFr962m in first half

By William Dawkins in Paris

GROUPE DES Assurance Nationales (GAN), the third largest French state-controlled insurer, yesterday announced that it had increased profits in the first half.

The company also said that it planned to tighten control of its banking division. GAN, which took 56 per cent control of the CIC banking group from the state in 1989, will lift its holding to 80.06 per cent, through a share exchange with CIC and capital increase reserved for the state. GAN said the operation, an "accounting exercise", would be completed by the end of the year.

The group announced a 1.6 per cent rise in net profits to FFr962m ($165.4m) for the first half of the year, from FFr947m in the same period of 1990, on premium income up by 18.5 per cent to FFr19.5bn. The group expects full-year profits to be about the same as last year's FFr2.4bn, barring any unexpected events in the current half.

Net profits from the group's insurance activities rose from FFr386m to FFr712m. CIC recorded a 6 per cent rise in net banking income and operating profits rose 15.7 per cent to FFr2.6bn.

● AXA, France's second largest insurance group, reported a 7 per cent rise in revenues to FFr31.17bn for the first half of the year. It had not yet calculated the net consolidated profit on that figure, but expects full-year profits to be down on last year's FFr3.66bn.

Bata returns to Czech market after 45 years

By Ariane Genillard in Prague

BATA, the international shoe company, is re-entering the Czechoslovak market after 45 years following the signing of a joint-venture agreement in Prague.

Under the agreement, a new company, Bata CSFR, will be 70 per cent owned by Canada-based Bata and 30 per cent by the Czech National Property Fund, an government body set up to monitor privatisations in the country. Bata CSFR will have an option to buy the fund's stake in five years.

Bata, the world's largest shoe maker, was founded in 1894 by the Batas, a Czech family that still runs it. It's Czech assets were *nationalised after* the Second World War.

The joint-venture company will consist of more than 30 shoe retail shops in the Czech republic, which represents 20 per cent of the domestic market. Some of the shoes sold in the Czech shops will be made in the region, where production plants are being expanded.

The agreement took 18 months to be concluded. It was brokered by Bankers Trust of London and the US law firm Squire, Sanders and Dempsey.

Statoil stays at NKr1.07bn

By Karen Fossli

STATOIL, the Norwegian state oil company, yesterday reported steady third-quarter net profits of NKr1.07bn ($160m). However, for the nine months they had increased to NKr3.46bn from NKr2.77bn a year earlier.

Third-quarter group operating income rose by NKr1.9bn to NKr19.7bn. In the nine months operating income was up NKr10bn to NKr57.8bn.

Group operating profit in the third quarter fell by NKr800m to NKr3.4bn but in the nine-month period rose by NKr700m to NKr11.1bn.

Statoil explained that North Sea marker crude Brent Blend averaged $19.82 a barrel in the first nine months compared with $20.73 a barrel a year ago.

Group equity crude production rose 15 per cent to 105m barrels in the nine-month period, helped by higher production from the Statfjord and Gullfaks fields.

● Dyno Industrier, the Norwegian chemicals and explosives group, has announced third-quarter net profits more than halved to NKr30m from NKr49m. It forecasts lower earnings for the whole year.

Group net profits in the nine-month period to October slid to NKr173m from NKr280m. Group third-quarter turnover rose to NKr1.91bn from NKr1.64bn and in the nine-month reporting period increased by NKr814m to NKr5.83bn.

● Vital Forsikring, one of Norway's top five insurers, said yesterday it signed an agreement with Schweizerische Lebensversicherungs und Rentenanstalt – Swiss Life – to extend existing commercial co-operation on a long-term basis. The groups will collaborate in product development, marketing, computer systems and international investment.

Perrier's profits sag in first half

FIRST-HALF net profit of Source Perrier, the mineral water and cheese unit of Exor of France, sagged 54.7 per cent to FFr389m from FFr858m, AP-DJ reports from Paris.

The latest figures included exceptional profits of FFr168m against FFr784m in 1990.

Operating profit fell 20.8 per cent to FFr1.06bn on revenues down 3.8 per cent, to FFr6.54bn.

Hawker steps up attack on BTR

HAWKER SIDDELEY, the UK engineering group, has stepped up its fight against the £1.5bn ($2.6bn) bid from BTR with an attack on its ability to build growth businesses and its acquisition accounting techniques, writes Andrew Baxter.

The embattled Hawker, which many analysts believe faces a challenge in heading off the bid, also claimed that BTR Nylex, its suitor's quoted Australian subsidiary, had "run out of steam".

Lex, Page 20

Skanska falls sharply to SKr1.19bn

By Robert Taylor in Stockholm

SKANSKA, the largest construction company in Scandinavia, reported a sharp drop in its profits, after financial items, to SKr1.19bn ($192m) for the first eight months of the year, down from SKr1.71bn for the same period of 1990.

After estimated write-downs totalling SKr900m from declining property development values, mainly in London, Oslo and New York, the group said it expected a profit, before extraordinary items, for the whole of this year of about SKr1.7bn, down from SKr2.37bn in 1990.

Invoiced sales for this year are expected to be just over SKr34bn, down from the 1990 figure of SKr37.22bn. At the end of August Skanska's order backlog had fallen to SKr29bn, 6 per cent lower than 12 months earlier.

The adjusted profit per share for this year is estimated to be SKr7.85 against SKr10 in 1990.

Skanska said in a statement that the general recession, a substantial fall in real estate prices and a more restrictive credit market, resulted in falling demand for the services of contracting companies in virtually all segments of operations.

It's results are not as bad as the depressed European construction market might suggest, however, thanks to the company's real-estate and financial operations, which have offset to a certain extent the slump in its building and industrial projects.

Operating income from property management, before interest expenses and real-estate tax, rose to SKr988m over the first eight months against SKr696m for the same period of 1990. In its commentary on the results, however, Skanska paints a bleak picture of the Swedish construction market which remains its main market.

During the first half of this year the number of house starts in Sweden fell by 11 per cent and the fall is expected to reach 20 per cent for the year as a whole.

SGS-Thomson looks for a partner

An alliance or merger is the key to survival, writes Michael Skapinker

Mr Pasquale Pistorio, the voluble and engaging president of SGS-Thomson, one of Europe's few remaining chip-makers, is not one to underestimate the importance of his organisation.

The loss of Europe's home-grown *semiconductor* companies, he says, will spark off a process of economic degeneration which will result in the region joining the third world.

If the continent's future does hang on the fate of companies like SGS-Thomson, then Europeans certainly have cause to worry. The Italian-French chipmaker lost $96m last year and does not expect to do much better in 1991.

Mr Pistorio says SGS-Thomson needs to increase sales from $1.5bn to more than $10bn by the end of the decade to survive. He concedes this is unlikely by growth alone. His favoured merger partners, Siemens of Germany and Philips of the Netherlands, are not interested.

Mr Pistorio, as ever, is optimistic. The company was profitable in September, even after *interest* payments, which accounted for $65m during 1990. It will break even in the final quarter of this year and make a profit in 1992, he says.

In September last year, he presented SGS-Thomson's two shareholders, Thomson-CSF, the French electronics group, and IRI/Finmeccanica, the Italian holding group, with a restructuring plan. Both parent companies are state-owned. *The plan aimed to return SGS*-Thomson to profit without reducing R &D spending which accounts for 18 per cent of sales. This has involved cutting 3,800 jobs by the end of this year, closing a UK assembly plant and other manufacturing facilities.

The result, Mr Pistorio says, is that sales per employee will *be $90,000 by the end of this* year, compared with less than $70,000 at the end of 1990. By the end of next year they will have increased to $100,000.

Being profitable, however, is not enough. Mr Pistorio, who began his career selling transistors in Turin, says by the end of the decade there will be only two types of semiconductor companies: those with a worldwide market share of more than 5 per cent and financial resources to invest in new factories; and those with a worldwide market share of 0.5 per cent or less, providing specialised rather than commodity chips. "We, who today have a 2.7 per cent world market share, do not have the size to sustain investment in R & D and we're too big to be a specialist," he says.

Mr Pistorio adds that the semiconductor divisions of Philips and Siemens also inhabit the "instability zone". They, however, have made their own arrangements. Philips has cut its semiconductor activities and its participation in the Joint European Submicron Silicon (Jessi) initiative, Europe's biggest chip research project. Siemens has agreed with IBM *of the US to co-manufacture* the next generation of dynamic random access memory


Pasquale Pistorio: optimistic

(D-Ram) chips, which hold 16m bits of information, four times as much as those in use today. The two groups are also jointly researching 64m bit D-Rams.

Siemens' agreements with IBM ended any remaining hope that two or three of the large European semiconductor companies would merge. Mr Pistorio had extensive negotiations with Siemens over possible collaboration, ranging from an agreement to produce D-Rams together to a full merger with the German company's semiconductor division.

Pressure to merge also came from Mr Alain Gomez, chairman of Thomson-CSF, backed by Mr Jacques Delors, the European Commission president. While Mr Pistorio says SGS-Thomson can still work with other groups on research or particular products, Mr Gomez accepted last week that *the Siemens-IBM tie-up killed* the idea of creating a European "national champion".

Some reports have said Mr Pistorio might try to merge with a US company, but he plays this down. "I'd like to avoid the word merger, but I'm certainly open to all kinds of strategic alliances." Analysts mention Hewlett-Packard as a possibility.

SGS-Thomson has reached accords with European and US companies this year. It concluded an agreement last July with GEC Plessey Semiconductors of the UK to co-develop advanced semi-customised chips. Inmos, the UK-based chip-maker which SGS-Thomson bought in 1989, last month won exclusive rights to manufacture IBM's most recent chip sets for generating personal computer graphics. Inmos will sell the chip sets, called the extended graphics array (XGA), to other computer companies as part of IBM's drive to establish the product as a worldwide PC standard.

While useful, these deals do not solve SGS-Thomson's long-term problem of how to find the huge sums necessary to finance new chip-manufacturing facilities. Mr Gomez earlier this year put SGS-Thomson's investment needs at $1bn a year. The French and Italian governments could not afford to fund the company at this level, he said.

Mr Pistorio might have succeeded in staunching SGS-Thomson's losses, but he still needs to find a partner. If no US company turns up, SGS-*Thomson, for all its talk of* European self-sufficiency, might have to look to Japan.

NOTICE OF REDEMPTION

To the Holders of

CITY OF OSLO

(Kingdom of Norway)

ECU 100,000,000 7¾ per cent. Bonds Due 1996

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Terms and Conditions of the Bonds (the "Bonds") contained in the Trust Deed, dated November 26, 1986, Morgan Guaranty Trust Company of New York as Principal Paying Agent, has selected ECU 13,215,000 principal amount of the Bonds for redemption on November 26, 1991 at the redemption price of 100% of the principal amount thereof. The Bonds so selected are those bearing the serial numbers as follows:

ALL OUTSTANDING 10,000 DENOMINATION BONDS WITH SERIAL NUMBERS ENDING WITH ANY OF THE FOLLOWING TWO DIGITS:

04	07	24	26	31	33	34	73
76	78	80	85	88	90	[illegible]	

ALL OUTSTANDING 10,000 DENOMINATION BONDS WITH THE FOLLOWING SERIAL NUMBERS:

303	403	503	603	703	803	903	1003
1103	1203	1303	1403	1503	1603	1703	1803
1903	2003	2103	2203	2303	2403	2503	2603
2703	2803	2903	3003	3103	3203		

ALL OUTSTANDING 1,000 DENOMINATION BONDS WITH SERIAL NUMBERS ENDING WITH ANY OF THE FOLLOWING TWO DIGITS:

18	25	27	41	58	60	65	74
78	79	91	92	94	97	99	

ALL OUTSTANDING 1,000 DENOMINATION BONDS WITH THE FOLLOWING SERIAL NUMBERS:

05	105	205	305	405	505	605	705
805	905	1005	1105	1205	1305	1405	1505
1605	1705	1805	1905	2005	2105	2205	2305
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

On November 26, 1991, the Bonds designated above will become due and payable and interest thereon shall cease to accrue on that date. Payments will be made upon presentation and surrender of the designated Bonds at the main offices of Morgan Guaranty Trust Company of New York, London, Paris, Frankfurt and Brussels, Kredietbank S.A., Luxembourgeoise, Luxembourg, Swiss Bank Corporation, Basle and Union Bank of Norway International S.A., Luxembourg. Such payments will be made by an ECU cheque or by transfer to an ECU account maintained by the payee.

Bonds should be surrendered for payment together with all unmatured Coupons if any, appertaining thereto, failing which the face value of missing unmatured Coupons will be deducted from the principal amount due for payment.

CITY OF OSLO
by: MORGAN GUARANTY TRUST COMPANY
as Principal Paying Agent

Dated: October 25, 1991

SIEMENS

Tender Offer to the Shareholders of Siemens Nixdorf Informationssysteme AG, Paderborn

Siemens Aktiengesellschaft holds a stake of approximately 78 per cent of the equity of Siemens *Nixdorf Informationssysteme Aktiengesellschaft.* Siemens AG intends to increase this stake to such an extent that Siemens Nixdorf Informationssysteme AG can be integrated into Siemens AG in accordance with the German Stock Corporation Law. Accordingly, Siemens AG offers the shareholders of Siemens Nixdorf Informationssystems AG to purchase their preferred bearer shares having a par value of DM 50,- each with dividend certificates Nos 8-20 and talon (securities code number 775 613) as well as their ordinary bearer shares having a par value of DM 50,- each with dividend certificates Nos 2 - 20 and talon (securities code number 775 610)

■ at a price of DM 225,- per share.

Siemens AG reserves the right to withdraw this tender offer if it is unable by way of this offer to acquire at least 3,726,000 of the preferred shares and/or ordinary shares specified above.
Holders of preferred shares and/or ordinary shares of Siemens Nixdorf informationssysteme AG wishing to accept this offer are requested to register and make available their shares

■ in the period from 28 October - 6 December 1991

with one of the banks named below or their branches:

Deutsche Bank AG
Bayerische Hypotheken - und Wechsel-Bank AG
Bayerische Landesbank Girozentrale
Bayerische Vereinsbank AG
Berliner Bank AG
Berliner Commerzbank AG
BfG Bank AG
Commerzbank AG
DG Bank Deutsche Genossenschaftsbank
Dresdner Bank AG
Hessische Landesbank - Girozentrale -
Landesbank Rheinland-Pfalz Girozentrale
Norddeutsche Landesbank Girozentrale
Sal. Oppenheim Jr. & Cie. KGaA
Trinkaus und Burkhardt KGaA
Vereins - und Westbank AG
Westdeutsche Landesbank Girozentrale
Westfalenbank AG

In France:
Crédit Lyonnais
Crédit Commercial de France

In Switzerland:
Schweizerische Bankgesellschaft
Schweizerische Kreditanstalt
Schweizerischer Bankverein

In Austria:
Girozentrale und Bank der österreichischen Sparkassen AG
Creditanstalt-Bankverein
Raiffeisen Zentralbank Österreich AG
Z-Länderbank Bank Austria AG

This tender offer is submitted in due agreement with Siemens Nixdorf Informationssysteme AG.

The price offered for the shares is based on the price of the preferred shares quoted at the German stock exchanges prior to the announcement of the tender offer by Siemens AG.

At the latest on 17 December 1991 Siemens AG will announce in the German Federal Gazette whether it will exercise its right to withdraw the offer. Until the time of *such announcement the offer shall under all circumstances* remain binding on the shareholders who have made their shares available in accordance with the terms and conditions of this tender. The purchase price shall become due on 17 December 1991 and shall be paid without delay. Should Siemens AG withdraw the tender offer, all shares made available for the purposes of the tender shall be returned to the shareholders immediately.

All usual bank commissions and charges in connection with the sale of the shares under this tender offer to Siemens AG shall be for the account of Siemens AG.

Should Siemens AG or a third party closely related to Siemens AG submit by 1 June 1993 a higher tender or settlement offer for the above-mentioned preferred shares or ordinary shares of Siemens Nixdorf Informationssysteme AG, Siemens AG undertakes to make an additional payment to all holders of preferred shares and ordinary shares of Siemens Nixdorf Informationssystems AG who accept this tender *offer.* Such additional payment shall equal the amount by which such higher tender or settlement offer exceeds the present offer submitted by Siemens AG.

This tender offer does not apply to shareholders who are residents of the U.S.A.

Berlin and Munich, October 1991

Siemens Aktiengesellschaft
Managing Board

Japanese face market saturation

Robert Thomson finds electronics companies revising expectations

JAPANESE ELECTRONICS COMPANIES: FIRST HALF RESULTS 1991/92

	Sales		Pre-tax profit		Full-year pre-tax	
	Ybn	% change	Ybn	% change	Ybn	% change
NEC	1,463.9	+6.2	52	-6.8	135	-4
Hitachi	2,008.5	+7	80.1	-27.3	150	-27
Toshiba	1,536.6	-3	38.5	-62.6	130	-25.9
Mitsubishi Electric	1,234.5	+3.1	46.8	-24.5	110	-19

The difficulties facing Japanese electronics companies are symbolised by the video cassette recorder. Manufacturers have added knobs and sometimes irrelevant functions, but they have been unable to change the fact that the domestic market was saturated two years ago and that the average Japanese uses a VCR for about 30 minutes fewer each week than in 1989.

The four leading companies which yesterday reported lower first-half profits, Toshiba, Hitachi, Mitsubishi Electric, and NEC, are encountering saturation with many of their diverse range of products, and are particularly troubled by overcrowding in the semiconductor market, which they presumed would be a prime source of profits in the 1990s.

Toshiba, whose pre-tax profits were down 62.6 per cent, had led the field in 1 megabit memory chips, but is weighed down by the heavy capital spending necessary to stay in the semiconductor race. In spite of the huge outlays, it faces strong competition in producing 4 Mbit chips, and slower sales than all of the contestants had expected.

The company has delayed the opening of a new 4 Mbit line in central Japan for six months, while Mitsubishi Electric said yesterday that its 4 Mbit lines were running at two thirds of capacity. With three South Korean companies entering the market, and even Japanese steel companies making semiconductors, known there as "industrial rice", high-technology is offering low returns.

Toshiba said that the company had no choice but to continue spending on semiconductors, although it has slightly lowered its target figure this year. A company official said: "At the start of the year we planned to spend Y100bn-plus on semiconductors. Now we have taken that 'plus' away, and it will only be Y100bn."

The company has also suffered from its reliance on lap-top computers, another congested international market. Last year, Toshiba sold 727,000 lap-top and personal computers, with 477,000 exported and the remaining 250,000 sold at home. At the start of this year, Toshiba expected to sell 920,000, with 620,000 exported, but it now reckons that the total figure will be 644,000 units, with 419,000 exported.

Toshiba hopes that economic recovery in the US will spur computer demand in Europe, and would like to think that the Japanese economy has "bottomed out". All four companies have blamed the general slowdown in capital spending by Japanese companies for lower than expected sales of office equipment.

NEC reported the smallest fall in pre-tax profit, down 6.8 per cent, and Mr Steve Myers, electronics sector specialist at Jardine Fleming Securities, said that the company had kept profits high with strong sales of computers to small businesses in Japan. "Their volumes are higher and the economy of scale and margins are better."

Mr Myers said that NEC and Hitachi were less reliant than Toshiba on 1 Mbit chips, which have fallen sharply in price over the past year. He said that the electronics companies appeared not to have new product discoveries that would produce a leap in sales, and must wait for the more gradual increases in sales that would accompany an international economic recovery.

Slower international demand and the relocation of production facilities were reflected in a 14.4 per cent fall in NEC's export value. In the first half last year, exports accounted for 22.1 per cent of the company's revenue, but the figure fell to 17.8 per cent this year.

NEC reported a 1.1 per cent fall in telecommunications equipment sales, which accounted for 30.1 per cent of the total, while computers and other electronic equipment – with sales up 13.9 per cent – accounted for 49.3 per cent, and sales of electronic devices, including chips, were up 0.7 per cent and represented 19.1 per cent of the total.

Mitsubishi Electric was helped by a 6 per cent increase in sales of heavy machinery, which account for a fifth of its total sales, but it struggled, along with the competition, in the consumer products market. Sales of audio-visual equipment fell, while demand for refrigerators and air conditioners rose, resulting in a 0.3 per cent increase in consumer product revenue.

Each of the companies said that plans were yet to be completed for capital spending for next year, but they hope to maintain planned spending levels for the rest of this year, in spite of signs of continuing slowdown in Japan. Hitachi had already revised downwards its capital spending budget from Y280bn to Y220bn.

All four are expecting lower pre-tax profits for the full year to end-March, with NEC predicting a 4 per cent decline, Hitachi a 27 per cent fall, Toshiba, 25.9 per cent, and Mitsubishi Electric, 19 per cent.

Fairfax bid pressure mounts

By Kevin Brown in Sydney

MORE THAN half of Australia's federal MPs and senators yesterday signed a petition urging Mr Bob Hawke, the prime minister, to prevent the sale of the Fairfax newspaper group to any bidder which already owns media assets.

The cross-party petition increases pressure on the government to block a bid for Fairfax by Tourang, a consortium formed by Mr Conrad Black, the Canadian proprietor of the Daily Telegraph, in London, and Mr Kerry Packer, the Australian magazine and television proprietor.

Tourang is one of three groups which have bid about A$1.3bn (US$1.02bn) for Fairfax, which was put into receivership by its banks in December after failing to pay interest on loans of A$1.3bn and US$450m in junk bonds. The receiver is expected to decide within three weeks whether to accept a bid or opt for flotation. Fairfax publishes the Sydney Morning Herald, the Australian Financial Review, and The Age, in Melbourne.

The petition, signed by 128 of the 225 federal parliamentarians, will be given to Mr Hawke when he returns today from the Commonwealth heads of government meeting in Harare. It does not refer specifically to Tourang, in which Mr Packer has a 15 per cent stake. However, Mr John Langmore, the Labour MP who co-sponsored the petition, said the Tourang bid would increase the concentration of media ownership.

Release of the petition follows an earlier intervention by Mr Malcolm Fraser and Mr Gough Whitlam, former prime ministers, who urged the government to stop further concentration of media ownership.

Mr Fraser said yesterday that Mr Packer and Mr Black had demonstrated in interviews that Tourang would bring to Fairfax "dictatorial management". Controversy over the Tourang bid was fuelled by a rare interview given by Mr Packer to Fairfax journalists on a current affairs programme broadcast by his own Channel Nine television network. He accused the Fairfax newspapers of distorting the truth about the Tourang bid by pretending that he would gain control of the newspapers despite holding a minority stake.

The petition could also cause difficulties for a bid by a consortium led by Dr Tony O'Reilly, the Irish newspaper proprietor and chairman of Heinz, the US food group. His bid is through Australian Provincial Newspapers, which would also be caught by a ban on concentration of ownership.

The third bidder, a Melbourne-based consortium of financial institutions, known as Australian Independent Newspapers, has no media interests.

SAB in talks on takeover of Plate Glass

By Philip Gawith in Johannesburg

SOUTH African Breweries (SAB), the brewing giant which dominates South Africa's mass consumer markets, is involved in negotiations which could result in it taking control of the Plate Glass (PG) group.

An announcement released yesterday said that shareholders controlling more than 50 per cent of Placor – the holding company for Plate Glass and Shatterproof Industries (PGSI) – were negotiating with SAB. The deal would be large, because Placor and PGSI have respective market capitalisations of about R530m (US$186.2) and R550m. Placor is 20.8 per cent held by directors and families. Institutions hold 63.3 per cent.

There are no important links between SAB and PGSI, whose activities are focused in the fields of wood and glass, although Afcol, an SAB subsidiary in the furniture field, has a stake in PG Bison, a PGSI subsidiary. Although beer remains the core of the SAB group, its interests spread into clothing and food retail, hotels and various manufacturing interests, including furniture and textiles.

The PG group's history is closely tied to that of two families – the Lubners, who now control it, and the Brodies.

The recent death of Harry Brodie has prompted speculation that the Brodie family may wish to sell its stake in Placor, while the Lubner's may be planning to lighten theirs after the announcement earlier this year by Mr Bertie Lubner, joint executive chairman of the Placor and PGSI, that he would reduce his executive responsibilities.

Forex losses push MIM into red

By Kevin Brown in Sydney

MIM Holdings, the Queensland-based base metals producer, yesterday reported a plunge in operating profits to A$3.5m (US$2.7m) for the first quarter to September 22, from to A$32.6m in the comparable period of last year.

After taking into account unrealised foreign exchange losses, the group reported a loss of A$3.5m, compared with a profit of A$13.1m in the earlier period. Sales revenue was down from A$418m to A$407m.

The result was better than expected, in spite of lower prices for copper lead and zinc, the group's principal products.

Sir Bruce Watson, the chairman, said: "Base metal prices deteriorated from generally weak demand, as recession and slow growth affected many of the developed economies."

However, Sir Bruce said there were signs that demand for metals would improve later in the year. Inventory levels were beginning to stabilise, and consumption in Japan and Germany remained firm. North American housing starts and automobile sales were improving.

The group forecasts improved demand from the Soviet Union and eastern Europe in the long term as market economies develop.

MIM said operating costs fell during the quarter, reflecting savings created by 860 redundancies since December. The group said it had made "significant progress" towards its target of cutting the costs of its Mount Isa Mines operation by A$100m a year.

MIM said the Porgera gold project in Papua New Guinea had achieved production of 1m ounces of gold in its first 12 months of operation. The group owns 65 per cent of Highlands Gold, which owns 30 per cent of Porgera.

Sir Bruce said MIM's plans to double its shareholding in Cominco, the Canadian resources group, to 22.5 per cent reflected its strategy of focusing on core products.

NEW ISSUE — All of these securities having been sold, this announcement appears as a matter of record only. — October 25, 1991

5,750,000 Shares

The Argentina Fund, Inc.

Common Stock

[illegible]

Scudder, Stevens & Clark, Inc. — Investment Manager

Sociedad General de Negocios y Valores S.A., a subsidiary of Banco General de Negocios — Argentine Adviser

These securities were offered internationally and in the United States.

International Offering
1,150,000 Shares

Credit Suisse First Boston Limited — PaineWebber International

ABN AMRO — Credit Lyonnais Securities

Daewoo Securities (Europe) Limited — N M Rothschild & Sons Limited

United States Offering
4,600,000 Shares

The First Boston Corporation — PaineWebber Incorporated

Bear, Stearns & Co. Inc. — Alex. Brown & Sons Incorporated — Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation — A. G. Edwards & Sons, Inc.

Goldman, Sachs & Co. — Kidder, Peabody & Co. Incorporated — Lazard Frères & Co.

Lehman Brothers — Merrill Lynch & Co. — Morgan Stanley & Co. Incorporated

Oppenheimer & Co., Inc. — Prudential Securities Incorporated

Salomon Brothers Inc — Smith Barney, Harris Upham & Co. Incorporated

Wertheim Schroder & Co. Incorporated — Credit Lyonnais Securities (USA) Inc.

GOVERNMENT OF POLAND
MINISTRY OF PRIVATISATION

MIKOLOWSKA FABRYKA TRANSFORMATOROW

MEFTA Sp. z O.O.

Distribution transformers

As part of the Government of Poland's privatisation programme and in accordance with the Privatisation Law of 1990, the Ministry of Privatisation ("the Ministry") on behalf of the Government of Poland invites interested parties with proven experience in the transformer manufacturing industry to negotiate the purchase of at least 51% of the share capital of Mikolowska Fabryka Transformatorow Mefta Sp. z O.O. ("Mefta"), one of Poland's two leading manufacturers of distribution transformers. 20% of Mefta's shares are on offer to Mefta's employees. The sale of Mefta forms part of the Ministry's wider privatisation programme for the whole of the power engineering industry in Poland.

Preference will be given to those parties offering a strong commitment to developing and expanding Mefta's existing activities and able to bring the appropriate technological, financial and commercial resources.

Interested parties (principals only) may obtain further information on Mefta or the privatisation of other parts of Poland's power engineering industry from Arnold Shipp or Peter Albertini at

Samuel Montagu & Co. Limited,
10 Lower Thames Street, London EC3R 6AE.
Tel 071-260 9000 Fax 071-260 9819

Samuel Montagu & Co. Limited is a member of The Securities and Futures Authority.

ALLIANCE LEICESTER
Alliance & Leicester Building Society

£300,000,000
Floating rate notes 1994

For the three months 24 October, 1991 to 24 January, 1992 the notes will bear interest at 10.6425% per annum. Interest payable on the relevant interest payment date 24 January, 1992 will amount to £133.76 per £5,000 note and £2,675.16 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

ALLIANCE LEICESTER
Alliance & Leicester Building Society

£112,000,000
Subordinated Floating Rate Notes due 1998

For the three months 24th October, 1991 to 24th January, 1992 the Notes will carry an interest rate of 11.15% per annum with an interest amount of £14,052.05 per £500,000 Note, payable on 24th January, 1992.

Listed on the Luxembourg Stock Exchange.

Bankers Trust Company, London — Agent Bank

This announcement appears as a matter of record only.

Banco Bamerindus do Brasil
New York Branch

U.S. $ 50,000,000

180-Day Negotiable Certificates of Deposit

Distributor: Hamilton Bank N.A.

Co-distributor: Banco del Pichincha Miami Agency

September 1991

CO-OPERATIVE BANK P.L.C.
(Incorporated in England under the Companies Act 1948 to 1980)

£75,000,000
Subordinated Floating Rate Notes 2000

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 24th October, 1991 to 24th January, 1992 the following information will apply.

1. Rate of Interest: 10.6875% per annum
2. Interest Amount payable on Interest Payment Date: £134.32 Per £5,000 nominal or £1,343.24 Per £50,000 nominal
3. Interest Payment Date: 24th January, 1992

Agent Bank
Bank of America International Limited

Notice of Redemption to the Holders of

Columbia First
Federal Savings & Loan Association

U.S. $150,000,000
Collateralized Floating Rate Notes
Due November 1996

NOTICE IS HEREBY GIVEN THAT, the Columbia First Federal Savings and Loan Association Collateralized Floating Rate Notes issued under an Indenture dated November 20, 1986 between Columbia First Federal Savings and Loan Association, as Issuer and Bankers Trust Company, as Trustee, will pay on November 25, 1991 the final Redemption Price of Par, plus accrued interest for the period then ended for all Notes outstanding (U.S. $60,000,000).

Accordingly, on November 25, 1991 the Redemption Price plus accrued interest for the period then ended on the Notes will become due and payable upon presentation and surrender of the Notes as follows:

Paying Agents

Bankers Trust Company
1 Appold Street
Broadgate
London EC2A 2HE

Banque Internationale a Luxembourg S.A.
2 Boulevard Royal
L-2953 Luxembourg

Credit Suisse
8 Paradeplatz
CH-8021 Zurich

From and after November 25, 1991 interest on the Notes will cease to accrue.

by: Bankers Trust Company, as Trustee

ANZ Bank

Australia and New Zealand Banking Group Limited
(Incorporated with limited liability in the State of Victoria)

U.S. $250,000,000

Subordinated Floating Rate Notes due 2000 of which U.S. $140,000,000 is being issued as the Initial Tranche and U.S. $70,000,000 is being issued as the Second Tranche

Notice is hereby given that for the Interest Period 24th October, 1991 to 24th April, 1992 the Notes will carry a Rate of Interest of 6 per cent. per annum with an Amount of Interest of U.S. $3,050 per U.S. $100,000 Note. The relevant Interest Payment Date will be 24th April, 1992.

Bankers Trust Company, London — Agent Bank

Delta Air Lines returns to the black

By Nikki Tait in New York

DELTA Air Lines, the large US carrier which is due to take over Pan Am's transatlantic routes at the end of this month, yesterday posted a small $13m after-tax profit for the three months to end-September, the first quarter in its financial year.

The result is an improvement from the net loss of $51.9m suffered in the same period of 1990. The airline attributed the progress to stronger passenger and cargo traffic, a "gradual strengthening" in passenger mile yields and lower fuel costs.

The airline's shares gained $1 to $69⅞ on the news.

The market's perception of prospects for the airline industry has become increasingly cheerful since American Airlines, another of the big carriers, kicked off the quarterly reporting season with better-than-expected third-quarter figures last week.

Mr Tom Roeck, Delta's finance director, said the airline was "especially encouraged by the fact that traffic growth was substantially higher than capacity growth".

He also said Delta was pleased with the way in which the Pan Am's former east-coast shuttle service – which was transferred to Delta at end-September – had been integrated.

However, he warned that the acquisition of the new transatlantic routes would "have a negative impact" on the airline's December results.

During the third quarter, Delta saw an operating profit of $26.6m, against a $73.6m loss, with revenues up from $2.22bn to $2.57bn. The load factor rose from 61.3 per cent to 63.7 per cent.

The fall in fuel prices – which a year ago had risen as a result of the Kuwait situation – was significant.

In the first nine months of 1991, Delta showed a net loss of $51.9m, compared with a $53.8m profit at the same stage of 1990. However, unlike most of its competitors, the airline's financial year ends in June.

Monsanto improves on lower sales

MONSANTO, a leading US chemical company, has reported third-quarter net income of $116m, or 91 cents a share, against $74m, or 59 cents, in the 1990 quarter. Sales fell to $2.04bn from $2.14bn, writes Karen Zagor.

Operating income from Monsanto's chemicals operations rose sharply, to $77m from $30m, although sales fell to $895m from $1bn. The improvement was attributed to differences in raw material prices and cost control.

Operating income from Monsanto's agricultural business fell to $35m from $38m on sales which eased to $319m from $349m.

Nine-month earnings were $230m, or $1.80 a share, including restructuring charges of $325m, or $2.54, in the second quarter. In the first nine months of 1990, profits were $515m, or $3.96, including gains of $31m, or 24 cents, from the sale of some assets. Sales in the period were $6.74bn, against $6.79bn.

● Union Carbide incurred a third-quarter net loss of $39m, or 70 cents a share, against earnings of $91m, or 63 cents, in the year-earlier period. Last year's results included non-recurring items adding up to a gain of 7 cents a share.

Excluding a previously announced $150m charge in the latest quarter, third-quarter net income was $32m or 25 cents a share. Sales were $1.75bn against $1.95bn.

Carbide's chemicals and plastics segment had a net third-quarter loss of $79m, against net income of $80m a year earlier.

Better margins boost Exxon

By Karen Zagor in New York

EXXON, the world's biggest oil company, unveiled a 3.7 per cent advance in third-quarter earnings despite a drop in revenues. The improvement was largely because of better margins on petroleum products.

Net income in the three months rose to $1.12bn, or 88 cents a share, from $1.08bn, or 85 cents, in the year-earlier period. Revenues were down 5.2 per cent at $27.5bn from $29bn.

Mr Lawrence Rawl, chairman, said earnings were limited by the sharp drop in worldwide crude oil prices and sluggish natural gas prices in the US. Furthermore, earnings from Exxon's coal and minerals businesses were hit by lower demand.

The negative factors were offset by better margins from petroleum products, higher crude production levels, increased petroleum product sales, a good operating performance at Exxon's refineries and chemical plants, and lower corporate interest expense linked to debt reductions.

Exxon, as with Mobil, has a strong overseas presence which helped the company post earnings growth at a time when many energy groups have been hurt in their comparisons with last year, when Iraq's invasion of Kuwait sent oil prices soaring.

During the quarter, Exxon's spending on capital and exploration rose to $2.28bn from $2.17bn. The group expects 1991 investments of about $9bn, the highest spending level, excluding acquisitions, since the mid-1980s.

In the US, upstream earnings from exploration and production operations plunged by $226m to $164m in the latest quarter, while non-US earnings improved $48m to $610m.

Strong product margins helped Exxon's refining and marketing operations post earnings of $410m. Earnings from US operations grew $44m to $98m, and overseas profits advanced $120m to $312m.

Although Exxon's US chemical business saw a $19m decline in income to $65m, foreign earnings improved to $20m from a loss of $19m a year ago.

Du Pont posts 16.7% decline

By Karen Zagor in New York

DU PONT, the biggest US chemical company, yesterday posted a 16.7 per cent decline in underlying third-quarter *earnings per share on sales* which fell 5 per cent, reflecting lower prices and flat growth.

Mr Edgar Woolard, chairman, said: "We expected the economic recovery to gain momentum in the second half of the year, but except for improved demand for fibres, that has not yet happened."

For the three months ended September 30, Du Pont had net income of $504m or 75 cents a share, on sales of $9.4bn, against profits of $533m, or 79 cents, on sales of $8.8bn a year earlier. The 1991 figures were lifted by unusual items of 15 cents a share while the 1990 earnings benefited from extraordinary items of 7 cents a share.

For the first nine months, Du Pont's net income fell *about 10 per cent to $1.54bn, or* $2.44, from $1.84bn, or $2.71, a year ago. Sales were flat at $28.9bn.

The strength of the dollar during the 1991 quarter contributed to a 9 per cent decline in international prices. Du Pont also said combined sales for its chemicals, fibres, polymers and diversified businesses fell 2 per cent, including a 3 per cent decline in prices and a 1 per cent improvement in volume.

The drop in crude oil prices from last year's exceptionally strong third quarter and lower refined product margins contributed to a decline in Du Pont's petroleum earnings to $209m from $310m. There were one-time items in both periods. Sales fell to $3.9bn from $4.2bn.

Although volume sales of chemicals rose in the 1991 quarter, after-tax earnings dropped to $69m from $108m, mainly because of pressure on white pigment and mineral product prices.

Du Pont's fibres business had after-tax operating income of $150m, on sales of $1.51bn, against earnings of $72m, on sales of $1.45bn. last year.

Underlying earnings from polymers slid to $67m from $107m on sales which eased to $1.34bn from $1.38bn.

Coal brought in earnings of $51m on sales of $482m against earnings of $38m on sales of $434m.

Campeau to cede control to Olympia & York

By Bernard Simon in Toronto

CAMPEAU, the Canadian real-estate developer which overstretched itself in the late 1980s with a highly leveraged foray into US retailing, will become a modest-sized subsidiary of the Reichmann family's Olympia & York Developments under a restructuring plan filed with an Ontario court.

O&Y, which is Campeau's biggest creditor, will have a stake of over 60 per cent in the revamped company, whose core business will consist of only *a handful of Ottawa office* blocks. The second biggest shareholder will be National Bank of Canada, with an 11 per cent stake.

The family of Mr Robert Campeau, who *spearheaded* the disastrous US$10bn purchases of Allied Stores and Federated Department Stores, *will end up with a stake of less* than 2 per cent in the company he founded 42 years ago.

Under the restructuring plan, Campeau will no longer have any equity interest in Allied or Federated. In addition the group will be released from substantially all its US obligations, including guarantees on US$745m of borrowings by the US subsidiaries and claims by Allied bondholders totalling US$1.3bn.

The Campeau restructuring will not take effect until Federated and Allied emerge from the protection of Chapter 11 of the US bankruptcy code, probably next February.

Mr Stanley Hartt, Campeau's chief executive, said that meetings of shareholders and creditors to approve the *plan are likely to take place* towards the end of January. He said that no objections have so far been raised.

In exchange for surrendering claims to its *US* subsidiaries, Campeau will receive a 12.8 per cent stake in Ralphs Grocery, a chain of California supermarkets which has remained outside Chapter 11 protection.

The US shopping mall developer, Edward J DeBartolo, will acquire a 60 per cent interest in Ralphs in settlement of a US$480m loan to Federated guaranteed by Campeau.

Campeau this week transferred all its operating properties and assets to a new wholly-owned subsidiary, Camdev Properties. Camdev, which Mr Hartt described as a *"new beginning", will operate* outside the restructuring.

He said Camdev would confine its activities to Canada, but with sufficient cash flow to service its debt and finance new projects.

Over the past 18 months, Campeau has sold 22 office buildings, shopping centres and undeveloped properties, raising C$1.2bn (US$1.06m).

Salomon warns of further drop in US property values

By Martin Dickson in New York

THE US commercial banking industry, which has been hit hard over the past 18 months by bad property loans, may not have seen the worst of the American real-estate downturn, according to a gloomy assessment from Salomon Brothers, the securities house.

"Earnings during the third and fourth quarters of *this* year will continue to show evidence of deteriorating commercial real-estate values," says a report from its banking and property analysts.

The report adds that the real-estate "bubble" created by excessive construction in the 1980s will mean extremely high vacancy rates for *several* years. The bubble "will not dissipate for at least five years, and some of the painful vestiges may be with us at the turn of the century".

Salomon says the bottom may be approaching in the US office market – at least from a national perspective – although individual regions, such as the west coast, will continue to show declines.

However the report adds that the "bounce" in values which accompanied the real-estate depression of the 1970s will not occur this time.

"Based on a calculation of average years to absorb, we estimate that currently about a 12-year supply of office space exists in the market. To the extent that many of these *buildings will never be occupied*, these data may somewhat over-estimate the degree of supply," the report says.

"Nevertheless, we believe *that the restructuring of the* white collar employment sector still has several years to run; thus, accelerating office employment growth will not *absorb this huge overhang of* supply."

Salomon notes that, for the first time in more than a decade, new demand for office space exceeds new supply, but it adds that continued high vacancy rates and cost-conscious tenants should exert further downward pressure on rents, which have fallen 29 per cent in real terms since 1987 and by 46 per cent since 1982.

"The banking system," it warns, "probably has not yet recognised the full extent of the ultimate valuation declines".

Banks in the north-east region – from Boston to Philadelphia – continue to post the worst asset quality results in the US, but the most rapid deterioration in recent months has been in California.

Salomon says it is concerned about the outlook for California commercial real estate and expects market conditions *"will continue to deteriorate* significantly over the next several quarters as economic and employment trends moderate".

Tandem disappoints with profit of $2.9m

By Louise Kehoe in San Francisco

TANDEM Computers, the California computer systems company, reported a sharp fall in fourth-quarter earnings, despite selling record numbers of its fault-tolerant computers during the quarter. The results were well below expectations.

The company's share price lost 12 per cent to trade at *$11⅞ at mid-day.*

Net income for the quarter declined to $2.9m, or 3 cents a share, compared with $31.8m, or 30 cents, in the fourth quarter *of last year. Revenues were* $509.1m, against $506.1m.

Analysts had projected earnings per share of about 20 cents.

For the year, net income was $35.2m, or 33 cents a share, compared with net income in fiscal 1990 of $121.8m, or $1.13. Revenues rose to $1.92bn, up from $1.87bn last year.

The recessionary economy and the transition to new products had resulted in lower net prices, and profitability had fallen significantly below the company's goals, said Mr James Treybig, president and chief executive.

Next week, Tandem will announce new computers based on Risc (reduced instruction set computing) technology. Tandem had already sold some of the new products in the fourth quarter, Mr Treybig *said.*

Although US business improved during the fourth quarter and sales in the UK were at record levels, the company remained *cautious about* the outlook for fiscal 1992. "There is no indication that worldwide economic conditions have improved substantially," said Mr Treybig.

Procter & Gamble slips despite revenue growth

By Nikki Tait in New York

PROCTER & Gamble, the US consumer products group, yesterday revealed a 3 per cent drop in after-tax profits for the July-September *period, the* first of its financial year. It made $536m, against $555m in the same period of 1990.

The company, however, had *already warned that a small* earnings decline was likely, and the shares only nudged lower by $¼ to $88¾. Earnings per share were $1.52, against *$1.57, while sales rose 8 per* cent to $7.2bn.

P&G confined itself to a four-paragraph statement on the results, giving no divisional breakdown or additional financial *information.*

The company said only that "strong growth in unit volume was more than offset by lower profits in wood pulp, where *excess world capacity continues* to hold down selling prices, by adverse foreign exchange effects and by added costs related to the purchase of the Max Factor cosmetics business".

Telecoms core lifts BCE 34%

By Robert Gibbens in Montreal

A STRONG performance by its core telecommunications business helped BCE, the Canadian group, to record a 34 per cent gain in third-quarter profit.

BCE, Canada's biggest holding company, posted net profit of C$361m (US$320.3m), or C$1.10 a share, up from C$269m, or 80 cents, a year earlier, on revenues of C$4.8bn, *against C$4.5bn.*

The biggest source of earnings was Bell Canada, the domestic telecommunications utility, which turned in a profit *of C$252m, up by C$3m, while* Northern Telecom contributed C$61m, C$55m ahead.

Nine months' profit was C$961m, or C$2.90, up 20 per cent from C$802m, or C$2.44 a year earlier, on revenues of C$14.6bn, ahead 8 per cent from C$13.5bn a year earlier.

The results included a C$54m gain on the sale of part of BCE's interest in its mobile communications subsidiary.

Analysts said BCE's performance was in line with expectations and most estimate that it will earn about C$4.09 a share for the full year.

Lower contributions came from the financial services unit, Montreal Trust Company. BCE continues to reduce its non-telecommunications interests in energy, printing and publishing.

Bell Canada plans a C$150m private placement of debentures in Canada and a similar issue to raise C$150m in five-year debentures in Europe.

Canadian forestry groups see no sign of early upturn

NORANDA Forest and Fletcher Challenge Canada, two of Canada's leading forestry groups, have posted large third-quarter losses and left little hope of an early improvement, writes Bernard Simon.

Every leading Canadian forestry group reporting so far has been in the red for the third quarter.

Noranda's loss was C$51m (US$45.3m), or 48 cents a share, compared with a C$40m loss, equal to 45 cents a share, in the year-earlier quarter. The company, whose subsidiaries include MacMillan Bloedel, the big west coast pulp and paper producer, has lost C$131m in the first nine months of this year.

Fletcher, which is 72 per cent owned by New Zealand's Fletcher Challenge, tumbled to a third-quarter loss of C$16.3m, or 27 cents a share, from earnings of C$4m, or 7 cents. Nine-month losses total C$43.5m.

Noranda described market conditions, especially for pulp and newsprint as "the most difficult in recent memory". It said a recovery seemed to have been deferred until at least next spring.

Fletcher blamed mainly falling pulp prices, which are now about C$300 a tonne lower than a year ago, for its poor performance. Lumber prices, which picked up in the spring, had once again softened.

Noranda warned that it might put some of its businesses up for sale.

General Cinema clears hurdle in Harcourt merger

THE proposed merger of Harcourt Brace Jovanovich, the ailing US publisher, and General Cinema will be put to HBJ shareholders for approval on November 23, after the bidder finally won the necessary support from HBJ bondholders on Wednesday evening, writes Nikki Tait in New York.

General Cinema had insisted that it needed 90 per cent of bonds in each of the five separate classes to accept its cash tender offer before it would proceed with the deal.

After numerous extensions to the tender offer, it finally achieved this target on Wednesday.

In addition to shareholder approval at both HBJ and General Cinema, four state insurance regulatory bodies must bless the deal.

The Florida and Indiana insurance departments have already given their approval, but the approvals in Ohio and New York are pending.

Sara Lee reaches $263.4m

SARA LEE, the food and consumer products group, reported after-tax profits of $263.4m in the three months to end-September, up from $106.3m in the same period of 1990, writes Nikki Tait.

Sales in the quarter, the first of Sara Lee's financial year, rose by 1.3 per cent to $3.1bn. Earnings per share on a fully-diluted basis were up from 41 cents to $1.06.

The figures, however, are heavily distorted by the sale of Sara Lee's over-the-counter pharmaceuticals business, which is European-based. Net of restructuring charges, this allowed the group to log a 60 cents-a-share extraordinary gain in the quarter. The Chicago-based company said that without this, primary earnings per share would have increased by 16.7 per cent.

At the operating level, Sara Lee saw sales of packaged meats and bakery products slip by 8.1 per cent to $1.19bn, although profits were 12 per cent higher at $47.1m.

PACIFIC DUNLOP LIMITED

NOTICE TO HOLDERS OF THE OUTSTANDING U.S.$75,000,000 6 ¾% SUBORDINATED CONVERTIBLE BONDS DUE 1997 (THE "BONDS")

On 16 September 1991 Pacific Dunlop Limited (the "Company") announced to the Australian Stock Exchange Limited a rights issue on a one for five basis of approximately 156.4 million fully paid ordinary shares of 50 cents each at a price of A$4.30 per share to ordinary shareholders of the Company. In accordance with the provisions of the First Supplemental Trust Deed dated 2 July 1987 constituting the Bonds that offer is extended to each of the holders of the Bonds (the "Bondholders") on the basis of one new share for every five ordinary shares which would have been allotted to him had he converted his Bond(s) immediately prior to the offer being made to the Company's ordinary shareholders.

The current conversion rate is 266.75 ordinary shares per U.S.$1,000 principal amount of Bonds and is not subject to adjustment in respect of the rights issue.

The rights issue is renounceable in relation to ordinary shareholders, Employee Plan shareholders and Executive Plan shareholders and non-renounceable in relation to Bondholders. Fractional entitlements will be rounded up to the next whole share.

Copies of the Prospectus despatched to shareholders and entitlement and acceptance forms for use by Bondholders are available for collection by Bondholders at the offices of the Conversion Agents specified below:

London	Luxembourg	Brussels
Morgan Guaranty Trust Company	Société Générale	Morgan Guaranty Trust Company
of New York	Alsacienne de Banque	of New York
60 Victoria Embankment	15 Avenue Emile Reuter	Avenue des Arts 35
London EC4Y 0JP	L-2420 Luxembourg	1040 Brussels

To obtain an entitlement and acceptance form a Bondholder must present to a Conversion Agent at one of the above addresses his Bond(s) and the election notice(s) relating thereto bearing the identification number one. Election notices bearing that identification number which are not so presented shall lapse and be void for all purposes.

A Bondholder may participate in the rights issue by lodging a completed entitlement and acceptance form, together with payment for the shares being taken up, with the Company's share office, Registry Managers (Australia) Pty. Ltd., 3rd Floor, 150 Queen Street, Melbourne, Vic. 3000, Australia by 5.00pm Melbourne Time on 4 November 1991, failing which the offer in favour of that Bondholder shall lapse and be void for all purposes. Acceptances must be accompanied by payment in full of A$4.30 per share. Payments will only be accepted in Australian currency.

JC Rennie
Company Secretary
Pacific Dunlop Limited

25 October 1991

Commonwealth Bank

Commonwealth Bank of Australia

(successor in law to the State Bank of Victoria)
(the "Bank")

NOTICE
to the holders of the
£75,000,000
11.50 per cent. Guaranteed Notes Due 1994
of the Bank

NOTICE IS HEREBY GIVEN to the holders of the above Notes that, at the adjourned Meeting of such holders convened by the Notice published in the Financial Times on 20th September, 1991 and held on 18th October, 1991, the Extraordinary Resolution set out in such Notice was duly passed. Accordingly, the alterations referred to in the Extraordinary Resolution have been implemented with effect on and from, and the Supplemental Agency Agreement has been executed on, 17th October, 1991.

Copies of the Supplemental Agency Agreement are available for inspection at the offices of the Paying Agents for the Notes.

NOTICE
to the holders of the
A$50,000,000
15 ½ per cent. Guaranteed Notes Due 1994
of the Bank

NOTICE IS HEREBY GIVEN to the holders of the above Notes that, at the adjourned Meeting of such holders convened by the Notice published in the Financial Times on 20th September, 1991 and held on 18th October, 1991, the Extraordinary Resolution set out in such Notice was duly passed. Accordingly, the alterations referred to in the Extraordinary Resolution have been implemented with effect on and from, and the Second Supplemental Agency Agreement has been executed on, 17th October, 1991.

Copies of the Second Supplemental Agency Agreement are available for inspection at the offices of the Paying Agents for the Notes.

This Notice is given by
COMMONWEALTH BANK OF AUSTRALIA
(successor in law to the State Bank of Victoria)
48 Martin Place, Sydney, NSW 2000, Australia

Dated 25th October, 1991.

NOTICE OF REDEMPTION
THERMO INSTRUMENT SYSTEMS INC.
(Formerly Thermo Analytical Inc.)

6% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1996

NOTICE IS HEREBY GIVEN that Thermo Instrument Systems Inc. (the "Company") has exercised its right, pursuant to Section 6 of the Fiscal Agency Agreement dated as of May 1, 1986, to redeem on November 25, 1991 (the "Redemption Date") all of the Company's then outstanding 6% Convertible Subordinated Debentures due 1996 (the "Debentures"). The Debentures were originally issued by Thermo Analytical Inc., which later changed its name to Thermo Environmental Corporation and then merged with a subsidiary of the Company. The Company has assumed all of Thermo Analytical Inc's obligations and rights under the Debentures.

REDEMPTION OF THE DEBENTURES

Redemption Date: November 25, 1991

Redemption Price: The redemption price of the Debentures is 101% of the principal amount of the Debentures, together with interest accrued from May 1, 1991 to November 25, 1991 in the amount of $34.17 per $1,000 principal amount of Debentures, making a total of $1,044.17 payable on November 25, 1991, for each $1,000 principal amount of Debentures not converted prior to the close of business on the Redemption Date.

Cessation of Interest and Rights of Debentureholders. On the Redemption Date, the redemption price of the Debentures not converted on or prior to the close of business on the Redemption Date will become due and payable and interest on the Debentures will cease to accrue. The Debentures will no longer be deemed outstanding after the Redemption Date and all rights with respect thereto will cease, except the right of the holders to receive the redemption price and interest accrued to the Redemption Date.

Redemption Procedure. Payment of the amount to be received on redemption will be made by the Company upon presentment and surrender of the Debentures (with coupons dated May 1, 1992 and subsequent thereto attached on any Bearer Debentures) at any time on or after the Redemption Date at any of the locations set forth below at the end of this notice.

CONVERSION OF DEBENTURES INTO COMMON STOCK

Prior to the close of business on the Redemption Date, the principal amount of any Debentures, or any portion thereof that is $1,000 or a multiple of $1,000, may be converted at the option of the holder into shares of Common Stock of the Company at a conversion price of $18.29 per share (or approximately 54.67 shares for each $1,000 principal amount of Debentures converted.)

Conversion Procedure. The Debentures may be surrendered for conversion prior to the close of business on the Redemption Date together with a written notice of election to convert such Debentures at any of the locations set forth at the end of this notice. Holders will be paid accrued interest from May 1, 1991 to the date the Debentures are surrendered for conversion.

THE RIGHT TO CONVERT THE DEBENTURES SHALL TERMINATE AT THE CLOSE OF BUSINESS ON THE REDEMPTION DATE.

The Bearer and Registered Debentures may be presented for redemption or conversion at any of the following locations:

Chemical Bank	Banque Internationale a Luxembourg
Chemical Bank House	2 Boulevard Royal
180 Strand	2953 Luxembourg Ville
London WC2R 1ET England	Luxembourg

Registered Debentures may be presented for Redemption and Bearer or Registered Debentures may be presented for conversion at the following additional location.

Chemical Bank
55 Water Street
Corporate Trust Department
New York, New York 10041
United States

THE REPUBLIC OF ARGENTINA
NEW MONEY BOND DUE 1999

Notice is hereby given for the interest period beginning on October, 25th 1991, and ending on April, 27th 1991. The Bond will carry an interest rate of 6.375% per annum.

Banco Central de la República Argentina
Republic of Argentina Financial Agent

هكذا في الأصل

INTERNATIONAL CAPITAL MARKETS

Treasuries surge as claims for unemployment climb

By Patrick Harverson in New York and Sara Webb in London

A BIGGER than expected decline in September durable goods orders and a sharp rise in jobless claims boosted US bond prices across the board yesterday.

In late trading, the benchmark 30-year government bond was up ⅝ at 101⅛, yielding 8.021 per cent. The two-year note was also markedly firmer, up ⅛ at 100⅛, to yield 5.916 per cent.

The news that gave bonds a lift was the 29,000 increase in initial jobless insurance claims for the second week of October, and the 3.2 per cent decline in durable goods orders for last month. Although the goods figures are notoriously volatile and included big declines in defence and transportation orders, the fall was considerably bigger than forecast.

When added to the big rise in unemployment claims, the overall impression is of continued economic weakness.

GOVERNMENT BONDS

Prices were also helped by a well-supported five-year note auction, and signs that the momentum building behind the tax-cutting bandwagon was stalling. Particularly pleasing to the market was the comment from Mr Dan Rostenkowski, chairman of the House Ways and Means Committee, that members of his tax-writing panel were not enthusiastic about the idea of tax cuts.

In the credit markets, the Fed Reserve continued to keep up the pressure on Fed funds, executing another round of overnight matched sales in an attempt to push the Fed funds rate up from 5¼ per cent to its target of 5½ per cent.

The idea that tax cuts may not be introduced was a comfort to the market, which has worried that the use of fiscal policy to stimulate economic activity would put further interest rate cuts on the back burner. The doubts now cast over tax cuts, plus the latest signs of a weak economy, will have raised hopes about the use of monetary policy.

In afternoon trading, the intervention begun to take affect, and late in the session Fed funds had firmed to 5⅝.

■ JAPANESE government bonds ended firmer following strong demand for medium-dated issues.

Dealers said that prices rose despite some caution ahead of today's consumer prices data and next week's auction of 10-year government bonds.

The yield on the benchmark No 129 JGB opened at 5.845 per cent and closed at 5.825 per cent in Tokyo, before moving to 5.8 per cent in London following the US Treasury bond market's strong lead.

■ THE UK government bond market opened strongly, helped by foreign interest, but fell back later in the day on rumours that there would be no further cuts in the base rate this year.

Traders reported a sharp fall in gilt prices, as rumours circulated that Mr John Maples, economic secretary at the Treasury, had said that Britain was "unable" to make further cuts in interest rates.

However, the Treasury later added that "it is more difficult to make further cuts than when the gap between UK and German rates was larger".

"The UK cuts in interest rates are measured and prudent and we haven't endangered sterling's position in the [European exchange rate mechanism]," the Treasury said.

"But UK interest rates have been reduced by 4.5 points during a period when German rates have increased."

The benchmark 11¾ per cent gilt due 2003/07 fell from its opening of 112⅝ to 112⅛, wiping out earlier gains.

■ WORRIES that the Bundesbank may be forced to raise interest rates unsettled the German government bond market following the release of the money supply figures.

Although the Bundesbank left the key German interest rates unchanged – with the Lombard rate at 9.25 per cent and the discount rate at 7.5 per cent – at yesterday's council meeting, dealers expressed concern at news that Germany's M-3 money supply grew at an annualised 4.6 per cent rate in September.

This represents an acceleration from the 4.2 per cent growth rate reported for August, and led to speculation that the Bundesbank would come under pressure to raise interest rates again. The Bundesbank has made it clear it wants to see M-3 at the lower end of its 3-5 per cent target corridor for 1991.

Both the Lombard and discount rates were last increased in August.

The Liffe bund futures contract fell from its high of the day of 85.89, to trade at around 85.79 by late afternoon, almost unchanged on the day.

● STAATSBANK Berlin is issuing DM4bn of floating-rate notes at the three-month Frankfurt Inter-Bank Offered Rate (Fibor) less 0.10 point, priced at 100 and due November 1996, lead manager Deutsche Genossenschaftsbank said.

The issue is divided into two tranches of DM2bn each. The notes, which carry a statutory guarantee from the Bonn government, are non-callable.

Commissions total 20 basis points, divided into a 10 basis point combined management and underwriting fee and a 10 basis point selling concession.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	112.5227	+0.268	10.00	9.98	10.42
BELGIUM		9.000	06/01	99.3000	-0.100	9.10	9.05	9.19
CANADA *		9.750	12/01	104.7500	+0.550	9.02	9.00	9.28
DENMARK		9.000	11/00	100.0000	-0.025	8.94	8.89	9.10
FRANCE	BTAN	8.500	11/96	98.1930	-0.037	8.95	8.87	9.06
	OAT	9.500	01/01	104.7800	-0.030	8.79	8.73	8.84
GERMANY		8.750	08/01	102.6000	-0.050	8.34	8.29	8.42
ITALY		12.500	03/01	100.5100	+0.140	12.78	12.77	12.87
JAPAN	No 119	4.800	06/99	92.8738	+0.002	6.17	6.17	6.31
	No 129	6.400	03/00	103.3329	+0.232	5.81	5.83	5.99
NETHERLANDS		8.500	03/01	98.3200	-0.010	8.76	8.69	8.79
SPAIN		11.900	07/96	100.8500	-0.200	11.60	11.50	11.29
UK GILTS		10.000	11/96	100-28	-01/32	9.84	9.76	9.65
		10.000	02/01	100-27	-01/32	9.80	9.80	9.57
		9.000	10/08	95-00	-02/32	9.61	9.56	9.32
US TREASURY *		7.875	08/01	101-16	+08/32	7.65	7.52	7.53
		8.125	08/21	100-30	+13/32	8.03	7.97	7.87

London closing. *denotes New York closing. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 24

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	102⅞	103⅜	-⅛	6.58
ALBERTA PROVINCE 9 3/8 95	600	106⅞	107⅛		7.33
AUSTRIA 8 1/2 00	400	102⅛	102½	+⅛	8.13
BANK OF TOKYO 8 3/8 96	100	102	102½	+⅛	7.80
BELGIUM 9 5/8 98	250	108⅛	108⅝	+⅛	7.98
BFCE 7 3/4 97	150	100⅞	101¼	-⅛	7.65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DEUTSCHE MARK STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 3/4 LFr	600	94	95		9.57
KREDIETCORP 7 3/4 LFr	1000	95⅛	96⅜		9.58
WORLD BANK 8 3/4 LFr	1000	96⅛	97½		9.06
ABN AMRO HOLDING 9 1/4 01 Fl	750	102⅛	102⅝		8.85
UNILEVER 9.00 Fl	500	103	103⅛	-⅛	8.49
BCE INC 9 5/8 93 C$	300	101⅛	101⅛		8.73
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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Salomon says illegal profits were small

By Patrick Harverson in New York

SALOMON Brothers, the US securities house at the centre of a bond market scandal, claimed yesterday that its illegal activities in eight Treasury auctions in 1990 and earlier this year earned the company a profit of between $3.3m and $4.6m.

The securities house also revealed it made profits of between $16.7m and $18.4m from the favourable prices and financing terms available to holders of the May issue of two-year notes. Although more than 90 per cent of that $12.25bn issue was controlled by Salomon and a handful of its customers, the securities house insisted that its "bidding improprieties" in the auction did not create the favourable prices and financing terms that eventually proved so profitable.

The profit figures, which Salomon has submitted to the federal authorities, surprised Wall Street. Most observers had estimated that the securities house had profited considerably by manipulating several auctions of billions of dollars in new government securities.

In revealing that it made relatively little money from its illegal activities – which involved faking customer orders for new securities and breaking Treasury limits on the amount of bonds and notes any one firm could acquire – analysts believe Salomon is trying to persuade the authorities not to impose heavy penalties on the firm.

Salomon is also keen to show that its activities were not motivated by a desire to make huge profits at the expense of others, but were the result of a personal obsession with power of one man, Mr Paul Mozer, the former head of bond trading at the firm. He is alleged to have been behind all the illegal bids.

To back up this view, Salomon revealed yesterday that, on average, it made smaller profits from the rigged auctions than it did from auctions where the trading desk obeyed Treasury rules.

Milan bourse suspends top stockbroker

By Haig Simonian in Milan

THE MILAN stock market's already-tarnished reputation took a further blow yesterday with the suspension of Studio Capelli, a small but prestigious stockbroker whose owner, Mr Claudio Capelli, sits on the eight-member brokers' committee which runs the bourse.

The suspension, which was announced by Consob, Italy's stock market and companies watchdog, followed an inspection of Mr Capelli's offices earlier in the week. The investigation had revealed "grave irregularities" in running clients' positions, according to Consob.

Rumours of a possible collapse of a leading broker had been circulating on the bourse for some days, having been triggered by heavy selling of shares, which depressed the market this week. Surprisingly, the verification of the rumours helped to generate a small rise in share prices yesterday, with a 0.5 per cent climb in the Milan bourse index.

Analysts said prices had gone up partly on account of relief that the selling bout, which had been attributed to an urgent need to raise liquidity by the broker concerned, was now over. However, other dealers suggested that Mr Capelli still had substantial positions left to unwind in certain middle-sized quoted companies. These would now have to be sold, on top of the L30bn ($23.7m) in disposals believed to have been made on Monday and Tuesday.

The latest setback for the bourse follows a series of scandals and strikes this year, which have severely damaged its already poor image.

Earlier this month, floor traders went on strike to protest against the effects of impending bourse reforms. Their action has been suspended, but is not yet settled. In August, two brokers went into liquidation following the discovery of around L100bn in "missing" shares at Duménil Léble, the Swiss financial institution controlled by Mr Carlo De Benedetti.

The latest discoveries are likely to step up calls for further reform of the bourse, notably for faster settlement. As matters stand, Italian stockmarkets have a four-week account period, followed by two weeks for settlement.

Mr Capelli yesterday resigned from the management committee of the Milan bourse.

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All these securities having been sold, this announcement appears as a matter of record only.

New Issue — *October, 1991*

MORINAGA MILK INDUSTRY CO., LTD.

ECU80,000,000

6⅛ PER CENT. NOTES DUE 1995 WITH WARRANTS

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AZCO CAPITAL CORP. N.V.

NOTICE OF REDEMPTION
of All Outstanding
11½ % Convertible Subordinated Debentures Due 1992
Redemption Date: November 25. 1991

THE RIGHT TO CONVERT INTO COMMON STOCK OF TOSCO CORPORATION EXPIRES AT 5:00 P.M.. LONDON, ENGLAND TIME, ON NOVEMBER 20, 1991

To the Holders of 11½% Convertible Subordinated Debentures Due 1992

NOTICE IS HEREBY GIVEN that, pursuant to the terms of the 11½% Convertible Subordinated Debentures (the "Indenture") dated as of January 3, 1983, between Azco Capital Corp. N.V. (the "Company") and Morgan Guaranty Trust Company of New York, as Trustee (the "Trustee or Agent"), the Company has called for redemption and will redeem on November 25, 1991 (the "Redemption Date") all of its 11½% Convertible Subordinated Debentures Due 1992 (the "Notes") outstanding on the Redemption Date. As set forth in the Indenture, the redemption price will be US$1,000 per US$1,000 principal amount of Notes plus US$3.83 representing accrued interest from November 13, 1991 to the Redemption Date, for a total redemption price of US$1,003.83 for each US$1,000 principal amount of Notes (the "Redemption Price"). Payment will be made following the Redemption Date.

Conversion. The Notes are also convertible at your option at any time prior to 5:00 p.m., London, England time on November 20, 1991 (the "Conversion Expiration Time") into shares of Common Stock, par value US$.75 per share of Tosco Corporation (the "Common Stock"). Upon conversion, you would receive the number of shares that results from dividing the principal amount of Notes you hold plus accrued interest through the date of conversion by the conversion price of US$92.50. Each US$1,000 principal amount of Notes is, therefore, convertible into 10.810811 shares of Common Stock plus additional shares (at the same price) representing accrued interest through the date of conversion. The number of such shares into which a Note may be converted shall be subject to adjustment in accordance with Article Eleven of the Indenture. In order to convert Notes into shares of Common Stock, the Notes must be presented and surrendered for conversion to the Morgan Guaranty Trust Company of New York, as conversion agent (the "Conversion Agent"), duly endorsed, in blank or accompanied by proper instruments of transfer prior to the Conversion Expiration Time at the address set forth below under "Manner of Redemption".

Price of Common Stock. On September 23, 1991, the last reported sale price of shares of Common Stock on the New York Stock Exchange Composite Tape was US$21.625 per share. Based on such sale price, the market value of the number of shares of Common Stock into which each US$1,000 principle amount of Notes (plus accrued interest through November 20,1991) would have been convertible was US$216.25 plus a cash payment of US$18.05 in respect of a fraction of a share. Such value will be affected by changes in the market value of shares of Common Stock.

Terms of Redemption.

Redemption Date. 5:00 p.m. London, England time, on November 25, 1991.

Redemption Price. Redemption at US$1,000 per US$1,000 principal amount of Notes plus accrued interest from November 13, 1991 to the Redemption Date of US$3.83, for a total Redemption Price of US$1,003.83 for each US$1,000 principal amount of Notes not converted prior to the Conversion Expiration Time.

Cessation of Interest Accrual. Interest on the Notes will cease to accrue on and after the Redemption Date.

MANNER OF REDEMPTION

To receive the Redemption Price for any Notes, the holder thereof must surrender such Notes, together with all coupons appertaining thereto maturing after the Redemption Date, to the Agent or Paying Agent at any of the addresses set forth below, in blank or duly endorsed or assigned to the Company. On or after the Redemption Date, provided the Notes and coupons have been received in proper form, the holder of any Notes surrendered for redemption shall be paid by cheque the Redemption Price for each Note, without any interest thereon at the offices of the Agent, Morgan Guaranty Trust Company of New York, Corporate Trust Operations Department, 60 Victoria Embankment, London EC4Y 0JP and the Paying Agents at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt and Paris, Algemene Bank Nederland N.V. in Amsterdam, Banque de Paris et des Pays-Bas in Paris, Swiss Bank Corporation in Basle and Hentsch & Cie. in Geneva.

If no choice is indicated as to whether Notes are to be redeemed or converted, or if the holder elects to convert a portion of such Notes and does not specify the amount of Notes to be converted, the delivery of Notes prior to the Conversion Expiration Time will be treated as instructions to redeem such Notes as to which instructions are not given.

Payment for Notes surrendered for redemption will in all cases be made only after the Redemption Date and after receipt of the Notes and any other documents required by the Agent.

A copy of this Notice of Redemption has been mailed to all registered holders of Notes.

In the event that you have any questions with respect to the procedures for conversion of your Notes or surrendering your Notes for redemption, please contact Mr Jefferson F. Allen, Managing Director, Azco Capital Corp. N.V. in the U.S.A. (203) 977-1000 or the Agent in London at (071) 600 2300.

AZCO CAPITAL CORP. N.V.
By: MORGAN GUARANTY TRUST COMPANY
as Trustee

Dated: October 25, 1991

INTERNATIONAL CAPITAL MARKETS

Swiss bond terms face challenge

By William Dullforce in Berne

THE AGREEMENT between the European Community and the European Free Trade Association to create a 19-nation free trade zone could force Switzerland to abandon the regulation which prevents Swiss franc bonds from being issued abroad, Mr Markus Lusser, president of the Swiss National Bank (SNB), said yesterday.

However, there was no reason why the regulation should be modified in the short term. Last year, Swiss franc bond issues by foreigners amounted to SFr32.2bn ($21.6bn), he said.

Previously, the SNB has said that the restriction could not be lifted as long as high Swiss stamp duties were charged, because of the risk that underwriting of Swiss franc bonds would move entirely outside Switzerland. As Mr Lusser remarked, the easing of stamp duty on securities business recently passed by parliament did not cover bond issues. In any case, the revision is likely to be tested in a national referendum.

In the longer run, the agreement to form the European Economic Area (EEA) could lead to the suppression of the restriction on Swiss franc bond issuing, Mr Lusser said. Other central banks, on whose help the SNB depended to apply the restriction, could be less disposed to offer their support or "the market itself could be tempted to drain the substance from the regulation".

If the regulation had to be changed, the SNB would co-ordinate its policy with that of other central banks to ensure that the provisions on underwriting syndicates and stamp duties were dismantled in parallel, Mr Lusser said.

Separately, Mr Lusser predicted that the restructuring of Swiss banking was about to accelerate. Referring to the current difficulties of some small regional banks, Mr Lusser said Swiss banks had three choices.

● They could merge, but only if the board and management of the fused bank could give proper leadership; there was little scope for further takeovers by the big Swiss banks.

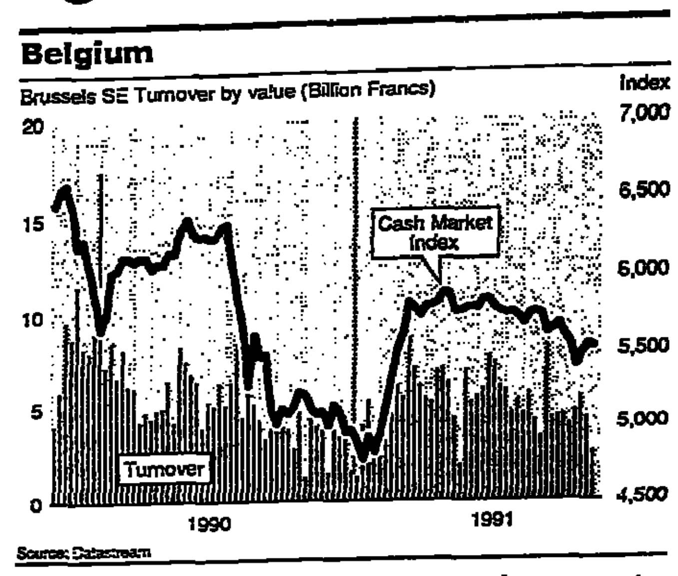
● They could focus on profitable operations instead of pretending to be "universal" banks.

● A bank which had already dipped heavily into its capital should prefer "euthanasia" to forced liquidation, which could be more harmful to its shareholders and creditors.

European Bourse Reform: Belgium remains cautious in a bear market

Little Bang a blow to small brokers

Muffled hammering from the basement of the Brussels bourse penetrates even the panelled plushness of the exchange's board room. Mr Jean Peterbroeck, the bourse president, smiles indulgently at the noise – just one tiny distraction in a year of upheavals for the small Belgian exchange.



Source: Datastream

Since December, he has had to cope with the aftermath of a devastating fire in the 19th century headquarters (hence the hammering – the refurbishment should be completed by the end of the year), a slump in equity trading volume, and the repercussions of Belgium's "Little Bang" programme of market reforms.

The liberalisation of the stock exchange – brainchild of reforming Belgian finance minister Mr Philippe Maystadt – took effect from the beginning of this year.

Stockbrokers lost their monopoly on exchange business: they had to incorporate as limited liability companies, which could be owned by banks or other financial institutions. Lower commission scales were introduced which have led to an average reduction in fees of some 30 per cent. Plans for modernised back-office settlement procedures and the establishment of a futures and options exchange were put in train.

There has been a price to pay. Speaking as bourse president, Mr Peterbroeck says he has himself lost some of his powers to new or revamped supervisory authorities. As a director of Petercam, one of Brussels' larger broking houses, he has also heard the squeals of his smaller competitors, squeezed beneath the increased administrative burden of the new system.

"When you have to face reform, it always costs something," he says. "You have to absorb those costs one way or another."

That is a difficult creed for smaller members of the Brussels financial community to follow when times are hard. Before the reforms, some 200 brokers were members of the bourse. Now there are only 115. A shakeout was inevitable and bourse membership will probably continue to decline. "In one or two years there will be 20 stockbrokers controlling 90 per cent of the day-to-day turnover," forecasts one Brussels analyst.

Some members have merged; some were one-man bands managing their own portfolios, who simply could not meet the requirements to become sociétés de la bourse. A number, however, have gone out of business, complaining loudly about the effects of the reforms.

The involvement of some of Belgium's many banks in the market, for example, has led to a slump in large institutional orders for the independent brokers, and unautomated firms have had difficulty catching up with the technology necessary to compete on the computerised exchange.

The real problem, however, probably lies more with the enervated state of the Brussels market – notoriously illiquid and blighted by low volume for the last two years – than with the side-effects of the reforms. That makes it difficult to assess the true legacy of Mr Maystadt's reforming zeal.

There have certainly been disappointments. For instance, although Belgium's many banks and financial institutions have taken advantage of the opportunity to deal, they have not, contrary to expectations, bought large brokers. Instead, they have gone for small players, in an attempt to buy computer access to the exchange.

"The banks are convinced that they know as much as we do," complains Mr Peterbroeck, wearing his broker's hat. "They've bought the machine, not the men."

Mr Maystadt is also said to regret the delay in establishing two privately-run ventures spawned by the reforms – Belarfi, a back-office computer system for settling transactions considered vital to the international competitiveness of the Brussels bourse, and Belfox, the Belgian futures and options exchange, which has run into a series of technical problems.

Meanwhile, the bourse has itself been sweating under the financial pressure. In spite of a strong start to 1991, the dwindling number of brokers and the poor volume of trading has led to a drop in revenue for the stock exchange, which has struggled to break even since the middle of the year.

Further reforms were planned which might have helped perk up the market. Legislation was in the pipeline to increase the charge levied on companies wanting a stock exchange listing. At the moment, listing fees represent next to nothing in the Brussels bourse resources, whereas other European stock exchanges draw down about 30 per cent of their revenue from listing charges.

The Belgian government was also planning measures to encourage asset securitisation – the repackaging of loans in the form of mutual funds, whose shares are then traded – and more issues of corporate bonds, most of which take place in neighbouring Luxembourg at the moment.

However, the collapse of the Belgian government three weeks ago has put paid to such projects. They will now have to wait at least until after next month's general elections.

Finance ministry officials are confident that Mr Maystadt's programme – which won near-unanimous approval in parliament last year – will survive a change of administration. "It won't change the general direction of the reforms, but depending on the person [who takes over as finance minister] it might change the rhythm," says one.

Mr Maystadt's financial reforms have already had a dramatic effect on the secondary market for short-term government debt instruments, which his advisers describe as possibly the most active in Europe now. They reckon the merits of the parallel Little Bang will only be revealed when the equity market itself revives.

For example, they argue that Paris and London deregulated their stock exchanges during bull markets, when banks were keen to diversify into the exciting and profitable broking business. Belgian banks are too shrewd and too cautious to want to buy up any of the independent Brussels stockbrokers while the market continues to lag.

In that sense, the recession is rather like last year's fire at the bourse, which struck the day after the reform programme had been approved. Mr Peterbroeck and others are working hard, but the success of the refurbishment will only be apparent once the smoke has cleared and the damage has been completely repaired.

For the time being, one can still hear the hammering.

Andrew Hill

Articles on other bourses appeared on the following dates: French (September 26), Dutch (October 4), Italian (October 9), German (October 11), Swedish (October 17), and Egyptian (October 23).

Lukewarm response to Ontario Hydro deal

By Simon London

ONTARIO Hydro tried to kick-start a lacklustre international bond market yesterday, launching $500m 10-year bonds in a deal lead-managed by Goldman Sachs.

The move was judged only a partial success by participants, following a week in which demand for new bonds has been limited and underlying government bond prices have fallen sharply.

The deal pays a coupon of 8¼ per cent and was priced to

INTERNATIONAL BONDS

yield 52 basis points more than US Treasury bonds. The pricing was seen as between 2 and 5 basis points too tight by other syndicate managers, given the poor market conditions.

However, co-lead managers, who had only $30m allocations, said they had sold most of their bonds by the close.

The lead manager, which took around half the deal, reported strong buying in Japan. It said most of its bonds were sold by the close of London trading. The bonds were held at the fixed re-offer price of 99.50 until late afternoon.

Elsewhere, Ecu bond prices fell by nearly ½ a point during the day following comments by Mr Wim Kok, the Dutch finance minister, that he favoured a freezing of the current composition of the currency.

Bond prices rallied during the summer on growing hopes that EC governments would agree a "hardening" of the Ecu at the Maastricht conference in December. This would make it impossible for the Ecu to devalue against any other EC currency.

However, a clear majority of EC governments now appears to favour a freezing of the current composition of the Ecu. This would remove uncertainty about the future shape of the Ecu basket, but without ruling out gradual devaluations.

In Switzerland, investors gave a guarded reaction to PT Japfa Comfeed, the first Indonesian company to launch a convertible bond denominated in Swiss francs.

In the Eurodollar market, Indonesian convertible bonds have had a rough ride this year, against the background of extreme volatility in the domestic equity market. The SFr50m deal, lead-managed by Swiss Bank Corporation, traded down to 99.25 bid from an issue price of par.

● Merrill Lynch broke new ground yesterday with an issue of Euro Medium Term Notes linked to the Turkish lire/dollar exchange rate.

The $5m bonds were issued under Finnish Export Credit's existing $1.5bn MTN programme. The paper pays a seemingly extravagant coupon of 60 per cent, but this is linked to the value of the Turkish currency.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Ontario Hydro(a)‡	500	8¼	99½	2001	0.325/0.20	Goldman Sachs
SWISS FRANCS						
PT Japfa Comfeed(b)‡★§	50	5	100	1996	-	SBC
Suncall Corp(c)★‡	40	2¾	78	1996	-	Citibank (Switz) AG
Suncall Corp(a)‡★§	30	4½	100	1995	-	Citibank (Switz) AG

★Private placement. §Convertible. ‡With equity warrants. †Floating rate note. ‡Final terms. a) Non-callable. b) Put option 11/5/94 at 110% to yield 8.727%. c) Coupon payable semi-annually. Non-callable.

SEC approves program trade rule

THE US Securities and Exchange Commission yesterday voted to approve a proposal by the New York Stock Exchange that will make permanent a NYSE rule that sharply curtails program trading on volatile days, Dow Jones reports from Washington.

The rule, which was approved on a one-year pilot basis last July, places severe restrictions on program trading whenever the Dow Jones Industrial Average moves up or down 50 points.

The rule has been triggered 38 times since it was adopted last year, including one instance in which it was triggered twice in one day.

Nomura in Mexican initiative

NOMURA is launching warrants on an index of six leading Mexican industrial companies. The six companies are Telmex, Cemex, Cifra, Vitro, Femsa, and Grupo Carso, writes Simon London.

Taken together, they have a market capitalisation of $39bn, against a total stock market capitalisation of $87bn.

Nomura is issuing 2m call warrants and 2m put warrants on the basket, to be priced on October 30.

The Mexican stock market has doubled in value this year. Nomura calculates that its new basket of industrial stocks has outperformed the market as a whole by around 30 per cent this year.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday October 24 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Oct 23 Index No.	Tue Oct 22 Index No.	Mon Oct 21 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (181)	805.68	-0.9	9.53	6.03	13.11	30.83	813.07	813.68	819.23	706.18
2 Building Materials (23)	972.42	-1.4	7.61	6.41	17.31	41.32	986.07	987.74	988.69	954.69
3 Contracting, Construction (30)	1057.59	-0.6	8.57	6.95	16.06	49.81	1064.46	1062.69	1057.66	1145.45
4 Electricals (11)	2489.54	-0.4	8.78	5.30	14.43	84.23	2498.86	2494.38	2519.93	1880.00
5 Electronics (25)	1704.82	-0.7	11.21	5.59	11.28	50.62	1717.30	1725.40	1743.41	1574.12
6 Engineering-Aerospace (8)	355.62	-0.4	15.76	7.30	7.66	16.48	357.12	355.49	355.53	418.61
7 Engineering-General (43)	483.25	-0.4	10.16	5.25	12.11	16.55	485.28	485.48	487.80	360.66
8 Metals and Metal Forming (9)	427.71	-0.6	15.35	8.28	7.91	17.48	430.26	430.76	435.60	399.59
9 Motors (12)	336.01	-1.5	7.07	7.17	19.36	14.65	341.21	340.25	348.20	276.46
10 Other Industrial Materials (20)	1559.50	-1.1	8.11	5.23	14.66	56.92	1576.90	1579.09	1594.05	1160.51
21 CONSUMER GROUP (190)	1539.11	-1.0	7.42	3.62	16.67	33.59	1555.14	1549.66	1555.30	1197.35
22 Brewers and Distillers (22)	1924.67	-0.7	8.01	3.49	15.20	38.33	1937.26	1932.93	1932.55	1510.07
25 Food Manufacturing (19)	1193.06	-2.0	9.50	4.19	13.02	29.98	1216.93	1221.27	1218.48	1014.79
26 Food Retailing (17)	2424.49	-0.9	9.07	3.35	14.40	50.36	2445.77	2460.35	2464.98	2283.05
27 Health and Household (23)	3714.50	-1.5	5.44	2.55	21.08	61.57	3771.27	3732.13	3768.85	2439.46
29 Hotels and Leisure (24)	1321.43	-1.5	7.71	5.33	16.03	45.61	1341.13	1329.63	1336.16	1202.38
30 Media (26)	1497.36	-1.4	7.19	4.74	18.17	44.30	1519.26	1523.72	1539.90	0.00
31 Packaging, Paper & Printing (17)	758.46	-0.9	7.41	4.34	16.39	22.51	765.48	765.40	764.95	484.19
34 Stores (33)	1015.64	+0.3	7.32	3.65	17.91	19.48	1012.47	1004.88	1005.60	792.49
35 Textiles (9)	635.97	-0.3	7.27	4.89	17.45	15.49	637.74	637.08	637.27	421.56
40 OTHER GROUPS (110)	1248.84	-1.1	9.62	5.19	13.07	35.79	1262.78	1266.94	1274.96	967.85
41 Business Services (12)	1386.24	-1.2	7.70	4.71	16.15	34.95	1403.46	1405.44	1412.68	0.00
42 Chemicals (21)	1420.57	-2.2	7.10	5.09	17.39	48.39	1452.94	1453.70	1454.39	996.84
43 Conglomerates (11)	1465.88	-2.1	9.87	7.15	12.27	38.76	1497.46	1493.21	1498.92	1298.15
44 Transport (13)	2292.51	-1.4	7.46	4.94	16.60	68.02	2325.13	2333.33	2336.85	1875.89
45 Electricity (16)	1204.95	-1.2	14.58	5.40	8.94	27.53	1219.76	1226.95	1241.57	0.00
46 Telephone Networks(4)	1522.27	....	9.85	3.98	13.29	28.34	1522.00	1538.77	1551.51	1060.68
47 Water(10)	2325.09	+0.4	17.56	6.62	6.30	118.37	2315.98	2310.70	2347.47	1963.61
48 Miscellaneous (23)	1839.68	-1.5	5.32	5.36	26.05	69.91	1868.22	1862.89	1872.86	1524.41
49 INDUSTRIAL GROUP (481)	1265.71	-1.0	8.53	4.58	14.63	34.28	1278.90	1278.23	1284.76	1007.11
51 Oil & Gas (19)	2409.77	-1.5	10.85	5.77	12.18	93.60	2445.74	2447.66	2465.41	2313.48
59 500 SHARE INDEX (500)	1363.49	-1.1	8.81	4.73	14.27	38.99	1378.47	1377.97	1385.37	1114.06
61 FINANCIAL GROUP (91)	771.30	-1.4	-	6.06	-	31.43	782.27	782.73	791.18	686.65
62 Banks (9)	910.31	-1.6	4.58	5.86	41.31	37.46	925.23	923.63	937.77	730.22
65 Insurance (Life) (7)	1432.98	-0.9	-	5.91	-	63.68	1446.45	1449.77	1456.88	1281.63
66 Insurance (Composite) (6)	574.44	-2.4	-	7.64	-	30.72	588.64	590.79	596.18	583.67
67 Insurance (Brokers) (9)	1108.36	-0.7	7.41	6.12	17.66	43.14	1116.41	1116.07	1120.45	862.19
68 Merchant Banks (7)	474.92	-0.2	-	4.45	-	13.08	476.03	472.85	476.08	347.88
69 Property (36)	872.76	-0.9	6.24	5.33	22.72	23.78	880.72	884.27	893.27	938.85
70 Other Financial (17)	257.31	-0.8	11.11	7.14	11.30	10.86	259.26	260.35	261.06	244.57
71 Investment Trusts (70)	1225.05	-0.4	-	3.53	-	27.02	1230.04	1227.43	1231.28	1016.36
99 ALL-SHARE INDEX (661)	1221.71	-1.1	-	4.86	-	36.63	1235.40	1235.05	1242.46	1009.72

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 23	Oct 22	Oct 21	Oct 18	Oct 17	Year ago
FT-SE 100 SHARE INDEX‡	2528.3	-32.8	2569.7	2524.1	2561.1	2559.5	2575.7	2601.1	2588.7	2088.7

FIXED INTEREST

PRICE INDICES	Thu Oct 24	Day's change %	Wed Oct 23	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (27)	121.64	+0.03	121.61	1.70	10.20
2 5-15 years (28)	133.22	-0.01	133.23	1.36	11.84
3 Over 15 years (8)	142.33	+0.02	142.30	2.27	10.60
4 Irredeemables (6)	159.18	+0.03	159.14	4.37	8.83
5 All stocks (69)	131.97	+0.01	131.96	1.60	11.29
Index-Linked					
6 Up to 5 years (2)	166.23	+0.02	166.20	0.24	3.16
7 Over 5 years (9)	148.96	-0.04	149.02	0.65	3.83
8 All stocks (11)	150.21	-0.03	150.26	0.59	3.81
9 Debs & Loans (60)	113.15	+0.18	112.94	2.32	8.53

AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 24	Wed Oct 23	Year ago (approx.)
British Government				
1 Low	5 years	8.73	8.76	10.54
2 Coupons	15 years	9.57	9.56	10.81
3 (0%-7¾%)	20 years	9.57	9.56	10.84
4 Medium	5 years	9.84	9.84	11.52
5 Coupons	15 years	9.73	9.72	11.26
6 (8%-10¾%)	20 years	9.67	9.67	11.18
7 High	5 years	10.05	10.04	11.62
8 Coupons	15 years	9.82	9.81	11.49
9 (11%-)	20 years	9.73	9.73	11.44
10 Irredeemables		9.76	9.76	10.98
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.82	3.82	4.19
12 Inflation rate 5%	Over 5 yrs.	4.23	4.23	4.38
13 Inflation rate 10%	Up to 5 yrs.	3.18	3.17	2.93
14 Inflation rate 10%	Over 5 yrs.	4.05	4.04	4.19
15 Debs &	5 years	11.45	11.47	13.19
16 Loans	15 years	11.24	11.26	12.77
17	25 years	11.04	11.06	12.46

‡Opening index 2560.5; 9 am 2567.5; 10 am 2568.9; 11 am 2567.1; Noon 2556.4; 1 pm 2552.2; 2 pm 2550.7; 2.30 pm 2551.6; 3 pm 2546.6; 4.10 pm 2527.5; (a) 10.05am (b) 4.15pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	34	42
Corporations, Dominion and Foreign Bonds	1	7	12
Industrials	162	405	928
Financial and Properties	51	176	530
Oils	16	32	42
Plantations	3	0	7
Mines	24	38	91
Others	26	57	57
Totals	290	749	1,709

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
180	F.P.	-	200	188	Adam & Harvey	199		W10.0	5.9	6.7	3.4
-	F.P.	-	2½	2	Butte Mining Wrnts.	2½		-	-	-	-
†	F.P.	-	110	85	Capital Ventures 1p	85	-5	-	-	-	-
4	F.P.	-	9½	4¼	Culver 1p	5		-	-	-	-
100	F.P.	-	102	98	Drayton Recovery Trust	99		M7.8	-	10.5	-
25	F.P.	-	26	26	‡Dencas Group 10p	26		-	-	-	64.2
-	F.P.	-	23	18	Eng. & Scott. Wrnts.	20		-	-	-	-
-	F.P.	-	320	213	Eurotunnel '91 Wrnts.	238	-10	-	-	-	-
100	F.P.	-	115	105	Gartmore Scotland Inc.	113		M11.6	-	13.7	-
100	F.P.	-	99	85	Do. Capital	92		-	-	-	-
-	F.P.	-	£665	£605	Do. Units	£655		-	-	-	-
146	F.P.	-	172	148	Irish Life Ir10p	170		HQ102%	-	5.4	-
50	F.P.	-	54	47	‡Simpsons of Cornhill 5p	48		-	-	-	14.9
62½	F.P.	-	63	62	Vtech Holdings 5c	63		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
-	F.P.	-	107½	97½	Allied Radio 8pc Cr Uns Ln 2001	97½	-1
10p	F.P.	-	8p	8p	Butte Mining 10pc (Net) Cr Prf 1994	8p	
100	F.P.	-	100	98½	Camborne Inds. 10½pc Rd. Deb. 2001	98½	
100	F.P.	-	90	75½	Claytithe 9½pc Cv. Ln. 2000-01	77½	
100p	F.P.	-	102p	100½p	Drayton Recovery Tst. Prfd. Growth £1	100½p	
100p	F.P.	-	112p	104¼p	Gartmore Scotland Zero Div Prf.	112p	
-	F.P.	-	96	93¾	Land Securities 10pc 1st Mtg Deb 2027	93¾	
100p	F.P.	-	104p	101¼p	NatWest Bank 9pc Prf Series A	102p	+½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
35	Nil	29/11	8pm	5¼pm	ASDA Group	5¼pm	-½
140	Nil	6/12	20pm	2pm	Barry Wehmiller 5p	2pm	
380	Nil	21/11	12pm	¼pm	British Aerospace 50p	¼pm	-¾
28	Nil	5/12	1¼pm	1¼pm	‡Crossroads Oil 5p	1¼pm	
45	Nil	26/11	6pm	3pm	‡Crown Comms. 10p	3pm	
26	Nil	26/11	2¼pm	1½pm	Dewhirst Group 10p	1½pm	
310	Nil	2/12	70pm	55pm	Domino Printing Scies. 5p	69pm	+6
205	Nil	21/11	33pm	22pm	MB-Caradon	27pm	
80	Nil	27/11	21pm	17pm	Meggitt 5p	19pm	+1
65	Nil	25/11	4pm	1pm	Porter Chadburn 5p	2½pm	-½
200	Nil	-	10pm	3pm	Third Mile Inv. Units	3pm	
3½	Nil	21/11	1pm	½pm	Wills Group A	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Oct. 21
● Last Dealings Nov. 1
● Last Declarations Jan. 23
● For settlement Feb. 3

For rate indications see end of London Share Service

Calls in Berisford Intl., Boots, Flextech, Owners Abroad and Wilton. Puts in Berisford Intl., Flextech, Haemocell, ML Labs., Owners Abroad and Ratners. Put and call in First Natl. Finance Corp.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*604)	550	65½	85½	-	10	18	-
	600	35	54½	63½	27	35½	44½
	650	15	33½	44	57½	64½	71½
ASDA (*41)	34	9½	10	-	1¼	2¼	-
	40	-	-	7	-	-	5¾
	50	-	-	4½	-	-	11
Brit. Airways (*194)	180	80½	25½	28½	5	7½	11
	200	8¾	14	17½	14½	16½	20½
	220	2¾	7¼	10½	29½	30½	33½
SmKl Beecham A (*727)	700	53½	71½	93½	14½	23	27½
	750	26	47½	63½	39½	44½	49½
	800	10½	27	41½	77½	75½	81½
Boots (*429)	390	43	59	63	4	5	9½
	420	22½	38½	43	13	14	18½
	460	7	18	22½	35½	38	40
B.P. (*335)	330	14	21½	28½	9½	14	15½
	360	4¾	9	15	30½	31½	33½
British Steel (*119)	110	10	12¾	15	2½	4	3¾
	120	4½	7¾	10	7¼	8¾	10
Bass (*961)	950	40½	58½	69½	30½	37½	42½
	1000	17	36½	46½	61½	68½	71½
C & Wire (*547)	500	56	75	83½	6½	12½	17
	550	24	45	53	25	32½	34½
Courtaulds (*481)	460	38	53	59½	9¾	14	18
	500	17	32	37½	28	30	34½
Com. Union (*464)	460	27	34½	39½	11	21	23
	500	9	16	22	35½	44½	45½
Fisons (*441)	420	35	48	54	9½	14½	18
	460	15	27	34	30	34	37
GKN (*337)	330	25	31½	36½	10½	20½	23
	360	11	16½	23	27½	37½	39½
Grand Met. (*848)	800	72½	85½	107	14½	21	25½
	850	40½	55½	75½	36	41	46½
I.C.I. (*1240)	1200	93½	-	-	24	-	-
	1250	61½	81½	102	42½	67½	68½
Kingfisher (*536)	500	56½	70½	72½	6	9½	15
	550	22½	40½	44½	22½	27½	33½
Ladbroke (*254)	249	18	24½	-	8	13	-
	260	-	-	22½	-	-	20½
Land Secur (*495)	460	42½	54½	62½	3¼	6½	11
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
M & S (*289)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sainsbury (*352)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*513)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Storehouse (*105)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar (*226)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utd. Biscuits (*389)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever (*797)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ultramar (*337)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Aero (*376)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*447)	420	31	40½	54	2¼	10½	13½
	460	5½	18½	31	17½	26	30
BAT Inds (*639)	600	44½	65½	74½	2	9½	16
	650	10½	34	45½	17	26½	34½
BTR (*379)	360	24	34½	-	2¼	7¾	-
	390	6	17½	23½	13½	21	27
Brit. Telecom (*382)	360	24½	33½	43½	2¼	8	11
	390	6½	16½	26½	12	21½	25
Cadbury Sch (*404)	390	24½	39½	49½	4½	14	22½
	420	7½	23	34½	18	27½	35½
Eastern Elec (*238)	230	11½	18½	23½	2¼	7	9
	250	3	8	12½	13½	17½	19½
Guinness (*1033)	1000	50½	84½	102	8	23	35½
	1050	18	54½	73½	28½	42½	55½
GEC (*187)	180	9½	13	18	1¼	4¾	7
	200	1	4	8¾	14	17	18
Hanson (*213)	200	13½	17	21	1½	6½	8¾
	220	3	6¾	11	8¾	17	20
LASMO (*325)	300	30½	44	47½	3	9	13½
	330	13½	25	30	13½	20	25½
Lucas Inds (*135)	130	5½	10	13½	3¾	8	10½
	140	2¼	6½	9¼	12½	14½	16½
P. & O. (*497)	472	33½	52½	-	3	10½	-
	500	-	-	42½	-	-	30½
Pilkington (*155)	140	19	23	29	1	4½	7
	160	5	11½	17¾	8	12½	15½
Prudential (*230)	220	14½	23½	26½	1½	5	8½
	240	3½	12½	15½	10	13½	18½
Racal (*56)	55	3¾	-	-	1¾	-	-
	60	1½	3½	-	5	5½	-
R.T.Z. (*550)	550	15	34½	43½	10½	21	30½
	600	2½	15	21½	52½	53½	59½
Scot. & New (*394)	390	14½	23½	34½	6	15½	18½
	420	3½	11½	20	25½	32½	35½
Tesco (*238)	220	21½	-	-	½	-	-
	240	7½	16½	20½	5½	9½	13½
Thames Water (*365)	360	-	-	30½	-	-	14½
	370	6¾	14½	-	12½	15½	-
Vodafone (*371)	360	19	31½	-	5	15	-
	390	5	15½	-	20½	30½	-
Abbey Nat. (*265)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amstrad (*35)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (*417)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle (*225)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Gas (*258)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dixons (*242)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurotunnel (*496)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo (*1405)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hawker Sidd. (*729)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Hillsdown (*204)	200	-	-	22½	-	-	11½
	216	5	10½	-	14½	17½	-
Lonrho (*250)	240	16½	21½	24	4½	11½	13½
	260	7	10½	14½	12½	24½	27
Midland Bk (*245)	240	20	29	36	6½	11	14½
	260	10	17½	25	16½	21	25
National Power (*157)	140	19½	20½	24½	1¾	3¾	5
	160	6	8	13½	7	11	12
Reuters (*937)	900	70½	98	117	19½	37½	48½
	950	40½	70½	90½	39½	60½	70½
R. Royce (*135)	130	10½	14	15	3¾	7½	10
	140	4½	8¾	10	7¾	13	15
Scottish Power (*108)	100	11	13½	16½	1½	3¼	3¾
	110	4¾	7	10	5	8	9
Sears (*100)	100	4½	9	10	5	7¼	10½
	110	1¾	5	5¾	12½	13½	16½
Forte (*267)	260	14½	23½	27	5	8	11½
	280	5½	13¼	17½	15½	17½	21
Thorn EMI (*787)	750	50½	66½	85½	7½	15	19½
	800	18	35½	55½	29½	36½	39½
TSB (*133)	130	10	12½	15½	2½	5¾	7½
	140	5	8	11	6¾	11	12
Vaal Reefs (*$67)	60	8¾	12	13	2	4¾	6¾
	70	4¾	7½	9¾	6½	9¾	11
Wellcome (*742)	700	55	83½	101	13	25½	30½
	750	27½	55½	73½	34½	44½	52½

EURO FT-SE INDEX (*2528)

	2425	2475	2525	2575	2625	2675	2725	2775
CALLS								
Oct	102	54	17½	2½	1	½	½	½
Nov	127	86½	51½	27½	12	4½	2	½
Dec	154	-	82½	-	36	-	11	-
Mar	205	-	138	-	88	-	49	-
Jun	245	-	180	-	125	-	80	-
Sep	280	-	217	-	165	-	115	-
PUTS								
Oct	4	6	21½	53½	100	147	197	247
Nov	11½	22½	40½	64½	96½	136	181	230
Dec	22½	-	48½	-	97½	-	172	-
Mar	45	-	75	-	114	-	173	-
Jun	62	-	87½	-	125	-	175	-
Sep	75	-	97½	-	137	-	175	-

FT-SE EUROTRACK 100 INDEX [illegible]

FT-SE INDEX [illegible]

[illegible]

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Racal asks Panel for extension to bid timetable

By Richard Gourlay

RACAL ELECTRONICS has asked the Takeover Panel to extend the timetable of Williams Holdings hostile £687m bid until the Office of Fair Trading has decided whether to recommend referral to the Monopolies and Mergers Commission.

The Panel is expected to agree to the request allowing Racal to delay its final defence document which would include a sensitive profits forecast. This was due under the original timetable by next Tuesday, the 39th day after the bid was launched.

Racal is anxious not to have to show its final defence before the Trade Secretary has decided whether the bid should be referred to the MMC.

It is also reluctant to make a recommendation to its shareholders for the paper offer without knowing the final shape of the Williams group.

Extensions have become normal practice in situations when the OFT has had to examine a potential monopoly position arising from a bid but has not made a recommendation before Day 39.

However, the two companies and the Takeover Panel are heading for uncharted territory in this bid, according to the panel and Racal's advisers.

Williams made undertakings in its bid that it would be prepared to sell parts of its locks and security business in order to reduce its stake in the sector to levels acceptable to the MMC.

The Panel has never had to deal with a hostile bid which is accompanied by such undertakings and is uncertain how the timetable will be affected by the OFT's likely recommendation.

In previous hostile bids, once a decision is taken not to refer to the MMC, the defending company has two more days to make its final defence. This is followed six days later by the final offer.

However, if the Williams bid is not referred analysts say it is almost certain undertakings will have to be made, as the company expects, to satisfy the OFT. The Panel has said in this situation it would have to sit down with Racal and Williams to discuss how long the negotiations of these undertakings with the OFT should take and when the bid timetable should restart.

Racal has asked the Panel for a time limit to be placed on any talks between Williams and the OFT.

MBO move for B&I counters Irish Ferries bid

A I£65.5m (£58m) cash bid by the Irish Continental Group (Irish Ferries) to acquire B&I Ferries, its state-owned rival, has been challenged by the offer of a B&I management buy-out, involving an undisclosed sum.

It was confirmed yesterday that the government is actively considering both offers and that a sale will be completed within two months.

The government accepted the Irish Ferries offer last March, subject to completion of a due diligence review of B&I's business operations, but it is thought that it is now holding out for an increased offer.

The transport ministry said, however, that cash would not be the only consideration in adjudicating the privatisation.

It is considered significant that B&I's trade union representatives are supporting the MBO.

Irish Ferries operates car and truck ferry services between Ireland and Le Havre and Cherbourg.

B&I operates similar services between Ireland and the British mainland.

The government proposes to assume I£30m in debts owed by B&I in either bid.

Aberfoyle board survives EGM

By Joel Kibazo

DISSIDENT shareholders at Aberfoyle Holdings, the agriculture, textiles, security products and services group, yesterday lost their battle to remove a majority of the board.

At a bitter and tense extraordinary meeting forced on the company by the dissident group, shareholders voted by about 40 per cent to 33 per cent to reject all nine resolutions tabled by the dissident group.

The group includes Crescent Africa, a private company with a 26 per cent stake. Mr Kojo Owusu-Nyangekyi, its chairman, first called for the board's removal more than two years ago.

A breakdown of the votes showed that 19.49m shares were voted with the board with 16.78m against.

The figure fell far short of the 45 per cent that the dissident group had claimed to speak for, and the group said they were "surprised and disappointed" by the outcome. The group would now examine the votes to ascertain why it fell short.

Mr Ian Coates, Aberfoyle chairman, said:"I am happy to have had the support of all but a handful of shareholders."

He said the company, which last month suspended refinancing talks and said it was dependent on funds provided by Mr Coates, would now restart those financing talks.

Earlier this month Aberfoyle reported a 77 per cent fall in profits to £1.21m - figures that were qualified by KPMG Peat Marwick McLintock, its auditors.

Mr Owusu-Nyangekyi indicated before the meeting that he would wash his hands of Aberfoyle if he lost the vote.

First Charlotte

First Charlotte Assets Trust reported a net asset value of 10.08p per share at September 30, a rise of 3.7 per cent over the year.

Net revenue for the six months to end-September fell to £31,000 (£52,000), for earnings of 0.04p (0.07p) per share.

Damaging message from a badly-timed call

Andrew Bolger and Norma Cohen examine Attwoods' latest financing attempt

WITH THE masterly understatement "it was perhaps not very good planning", Mr Ken Foreman, chairman of Attwoods, described the credit crunch which forced his waste management company into making yesterday's deeply-discounted rights issue.

Attwoods shares, which had been suspended on Thursday, fell from 175p to 129p yesterday after the company announced the 9-for-25 cash call at 110p per share.

Analysts described the highly dilutive cash call as "very damaging" and "smacking of panic".

The company said it needed the £80m from the rights issue because it had been unable to refinance group borrowings.

Proceeds would be used repay short-term debt arising from the £136m spent on capital investment and acquisitions in the year to July 31.

With the proceeds of the rights issue, group gearing will fall from 86 per cent. However, the immediate reason was a crisis in funding caused by the company's decision to borrow short-term funds to make long-term acquisitions.

In April, the company tried to raise £40m by a placing with US institutions, but netted only £12.5m.

Recently the company tried to arrange a private placement of $150m on long-term debt in the US and a revolving credit facility of up to £100m in the UK, but said "this proved impracticable in the current market conditions."

The final blow came in September when a Miami-based bank used by the group, South-East, went under.

Attwoods had a $100m credit facility with the bank and had made no contingency arrangements to provide alternative finance.

By the end of last month, net borrowing had increased to approximately £125m, of which £29m is now repayable.

Last Friday, the group of institutional investors who form the core of the UK's underwriting community received calls from Attwoods' brokers, SG Warburg.

They were asked to underwrite an £80m rights offering for shares at a 25 per cent discount to its then current price of 175p.

"We turned it down flat," according to one UK life insurer. At the heart of the refusal, institutions said, was not merely the general nervousness surrounding rights offerings.

Instead, it was Attwoods' itself and the knowledge that over the past few months, its repeated efforts to line up new bank loans and equity capital had been frustrated.

Meanwhile, an attempt at a European syndicated loan collapsed when several banks withdrew at the last minute.

The issue was completely restructured on Wednesday. The institutions were presented with a new offering, this one at an unusually wide 45 per cent discount to the share price. Attwoods described the subunderwriting group as "limited".

"It's not your usual group of underwriters," said one institution who agreed to take a small portion of securities.

The institution noted that the company's financial advisers had made little effort to hide Attwoods' need to raise cash. He said the brokers let him know that a Dutch bank and two others refused to renew a short term credit because the line had been conditioned upon Attwoods issuance of equity capital.

Warburg is understood to have approached Attwoods' main shareholder, Laidlaw, the Canadian waste services operator, to put more money into Attwoods.

Laidlaw agreed to sub-underwriting a large portion of the issue, but the Canadian company insisted in return that the offer price be substantially lowered.

Laidlaw, which currently has 27.23 per cent of Attwoods' ordinary shares, will see its holding rise to at least 29.4 per cent, and it could be as high as 39.2 per cent if no other shareholders subscribe.

Given the more attractive terms, Laidlaw expects that most if not all of the sub-underwritten portion will be taken up by other investors, and that its shareholding will thus remain largely unchanged for the time being.

However, an application has been made to the Takeover Panel for a waiver, releasing Laidlaw from the normal requirement of a company to launch a full bid once its shareholding reaches 30 per cent.

It was confirmed that Mr Michael Ashcroft, chairman of ADT, has stepped down as non-executive director of Attwoods. Three Laidlaw executives will join the board, including Mr Donald Jackson, chief executive of the Canadian group.

Laidlaw acquired a 28 per cent stake in Attwoods in 1989 from ADT, the Bermuda-based car auction and security group.

Relations between ADT and Laidlaw soured earlier this year and the Canadian group's balance sheet was weakened recently when it wrote off half its $900m (£526.3m) investment in ADT.

Mr Foreman insisted that the underlying position of Attwoods was sound, in spite of its short-term funding difficulties.

The group yesterday reported a 35 per cent increase in pre-tax profits to £38.7m on turnover of £288.4m, up 24 per cent.

He said the group's previously rapid rate of expansion, in particular through acquisition, would be reduced. To maintain conservative levels of borrowings the board did not intend to issue any more paper, without shareholder approval.

RMT to liquidate its sole offshoot

By Peggy Hollinger

RMT, the computer products supplier, yesterday announced that its sole operating subsidiary was being liquidated.

That leaves the company as a shell, with its shares suspended at 4¼p.

Mr Kenneth Vere Nicolls, chairman, said severe trading conditions had forced the board to acknowledge that rescue efforts last year had failed. "I thought we had turned the company round," he said, "but trading in the last few months has been pretty difficult."

RMT pulled out of the assembly business last year amid a global slowdown in the computer market. However, its strategy of concentrating on consumables, such as printer ribbon, had failed in the face of fierce competition. Margins and turnover had been significantly depressed in recent months, Mr Vere Nicolls said, forcing the company into losses and cash flow difficulties.

Accountants Ernst & Young have been appointed provisional liquidators to the subsidiary, RMT Computer Consumables.

Mr Vere Nicolls said he hoped the parent company would survive with a new business.

Com-Tek wins battle against boardroom coup

By Peggy Hollinger

COM-TEK Resources, the Denver-based oil and gas explorer, yesterday claimed victory in an attempted boardroom coup by Mr Jonathan Rosen, the South African financier.

Mr Jim Ellerton, chairman, said the board had won almost 55 per cent of the vote in a battle for control lasting two months. He said that a law suit had been filed over votes representing 4.5m shares cast in favour of Rosen Capital.

He added that "even giving all the benefit to Mr Rosen," shareholders had still backed existing management.

Mr Rosen, a 29-year-old former associate of City financier Mr Oliver Jessel, had accused Com-Tek's management of incompetence and of producing a "dismal earnings record".

Mr Rosen took an 18.5 per cent stake in the company last month, although his claim to the rights of 4.5m shares is being disputed by Com-Tek.

Boxmore Intl advancs to £1.67m

Boxmore International, a USM-quoted maker of plastic packaging products and cartons, increased pre-tax profits from £1.55m to £1.67m in the first half of 1991.

Turnover rose from £9.65m to £10.1m, with all divisionscontributing to the growth apart from the carton side.

The latter suffered a depressed second quarter, especially from a downturn in England and Republic of Ireland orders.

Current trading was difficult, according to Mr George Revill.

Earnings per share were 12.5p (11.5p) and the interim dividend is raised to 2.15p (2p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Airflow Stream ....int	nil	-	2	-	4
Attwoods ....fin	3.25	Feb 1	3.125*	5†	4.75*
Boxmore § ....int	2.15	Dec 9	2.0	-	6.4
Cambridge Group ...int	0.45♣	Dec 16	0.4	-	0.9
GR (Holdings) ....fin	1.75	Dec 18	1.75	2.15	2.15
Hicking Pentcost ......int	1.2†	Jan 8	0.6	-	2.25
Jarvis ....int	0.25	Jan 2	0.825	-	2
Majedie Invests ......fin	6.5	Jan 7	6	9	8.5
Overseas Inv Tst......fin	1.75	Dec 20	1.65	2.5	2.4
Scot Mort & Tst ......int	1.3	Dec 2	1.25	-	3.7
Secs Tst Scot ....int	1.08	Dec 9	1.02	-	3.1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish pence throughout.

RMP

RAND MINES PROPERTIES LIMITED

RAND MINES

(Incorporated in the Republic of South Africa)
Registration number 68/01239/06

Profit and dividend announcement for the year ended 30 September 1991

The audited results of Rand Mines Properties Limited ("RMP") and its subsidiaries for the year ended 30 September 1991 are set out below:

CONSOLIDATED INCOME STATEMENT

	1991 R000	1990 R000	Change %
Turnover	180 603	172 168	+ 5
Operating profit:			
– Property	16 632	17 740	– 6
– Gold recovery	3 283	4 439	– 25
	19 915	22 179	– 10
Interest – net	11 342	11 960	– 5
– Received	11 477	12 216	
– Paid	(135)	(256)	
Profit before taxation	31 257	34 139	– 8
Taxation	12 432	13 054	– 5
Profit after taxation	18 825	21 085	– 11
Attributable to:			
– Outside shareholder	63	157	– 60
– Members of RMP	18 762	20 928	– 10
Shares in issue – 000's	12 403	12 403	
Earnings per share – cents	151	169	
Dividends per share – cents	120	140	
– Interim	40	40	
– Final	80	100	
Dividend cover	1.26	1.21	
Special dividend – cents per share	100	–	

NOTES:

1. Review of results
Property operating profit, although better than anticipated, was 6 per cent below last year's profit.
A marginally lower rand gold price and an increase in working costs were mainly responsible for the reduced profit contribution from the gold recovery operations.
Interest income declined by 5 per cent.
Profit after taxation attributable to members at R18.8 million exceeded the forecast of R15 million given in the interim report and the overall reduction in earnings per share was contained to 10 per cent when compared with the results for the previous year.

1.1 Gold recovery

Operating results	Crown Mines and City Deep plants 1991	1990	Pilgrim's Rest plant 1991	1990
Tons sand and slime treated – 000's	8 062	7 870	307	249
Gold produced – kg	3 786	3 508	399	348
Yield – grams per ton	0.47	0.45	1.30	1.40
Revenue – rand per ton treated	15.65	14.94	42.95	45.84
Cost – rand per ton treated	14.24	13.30	33.64	36.96
Working profit – rand per ton treated	1.41	1.64	9.31	8.88
Gold price received – rand per kg	33 499	33 516	33 059	32 761
	R000	R000	R000	R000
Revenue	121 867	117 576	13 174	11 401
Costs	109 963	104 709	10 548	9 191
Working profit	11 904	12 867	2 626	3 210
Amortisation	8 973	9 040	2 274	1 598
Operating profit	2 931	3 827	352	612

1.2 Cash and bank balances
The group's surplus cash at 30 September 1991 was R53.0 million (1990: R58.2 million).

2. Final dividend
A final dividend (No.31) of 80 cents (1990: 100 cents) per share has been declared.

3. Special dividend
As the company has accumulated substantial cash balances in excess of its projected requirements a special dividend (No. 32) of 100 cents per share has been declared. This dividend will be paid simultaneously with the final dividend.

4. Posting of annual financial statements
The company's annual financial statements will be mailed to members during the second half of November 1991.

5. Annual general meeting
The annual general meeting of the company will be held on Thursday, 9 January 1992 at 11.00 am.

For and on behalf of the board
D. T. WATT (Chairman)
J. P. S. TURNER (Managing Director) Directors

Johannesburg
24 October 1991

Declaration of Final Dividend No. 31 and Special Dividend No. 32

The directors of the company have declared a final dividend No. 31 and a special dividend No. 32 in respect of the year ended 30 September 1991 as follows:

Amount (South African currency): Final dividend	80 cents per share
: Special dividend	100 cents per share
Last day to register for dividend (and for changes of address or dividend instructions)	8 November 1991
Register of members closed from	9 November 1991
to (inclusive)	15 November 1991
Ex-dividend on the Johannesburg and London stock exchanges	11 November 1991
Currency conversion date for sterling payments to shareholders paid from London	9 December 1991
Dividend warrants posted on or about	2 January 1992
Rate of non-resident shareholders' tax	15 per cent

The full conditions relating to the dividends may be inspected at or obtained from the Johannesburg offices of the company and its transfer secretaries.

By order of the board
Rand Mines (Mining & Services) Limited
Secretaries
Per J. W. GOATCHER

Johannesburg
24 October 1991

Registered office
15th Floor, The Corner House
63 Fox Street
Johannesburg 2001
(P.O. Box 62370, Marshalltown 2107)
Republic of South Africa

Transfer secretaries
Rand Registrars Limited
Corner Northern Parkway and Handel Road
Ormonde 2091
(P.O. Box 82549, Southdale, 2135)
Republic of South Africa

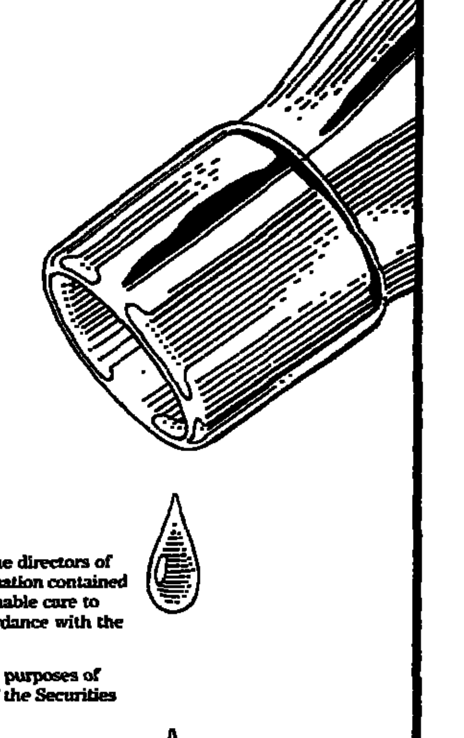
United Kingdom secretaries
Viaduct Corporate Services Limited
40 Holborn Viaduct
London EC1P 1AJ

United Kingdom registrars and paying agents
Barclays Registrars Limited
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

INVERGORDON SHAREHOLDERS

Increased and Final* Offer by

THE WHYTE & MACKAY GROUP PLC



275p

For information, in confidence, on the Loan Note Alternative, call FREEPHONE 0800 666601 any time.

The issue of this advertisement has been approved by a duly authorised committee of the directors of The Whyte & Mackay Group PLC ("the Directors") who accept responsibility for the information contained therein. To the best of the knowledge and belief of the Directors (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The issue of this advertisement has been approved by Kleinwort Benson Limited for the purposes of Section 57 of the Financial Services Act 1986. Kleinwort Benson Limited is a member of the Securities and Futures Authority Limited.

*The Increased Offer is final and will not be further increased. However, Whyte & Mackay reserves the right to increase and or extend its Increased Offer should a competitive situation arise or should the Panel on Takeovers and Mergers so agree, as set out more fully on Page 16 on the Increased Offer Document dated 11th October 1991.

POST YOUR ACCEPTANCE TODAY.

Hopes for a safe landing as rescue plan takes off

Jane Fuller attended Davies & Newman's extraordinary meeting where shareholders supported a virtual reflotation of the company

AN ATTEMPT to thwart a rescue plan for Davies & Newman Holdings, owner of the Dan Air airline, was grounded at an extraordinary general meeting near Gatwick airport yesterday.

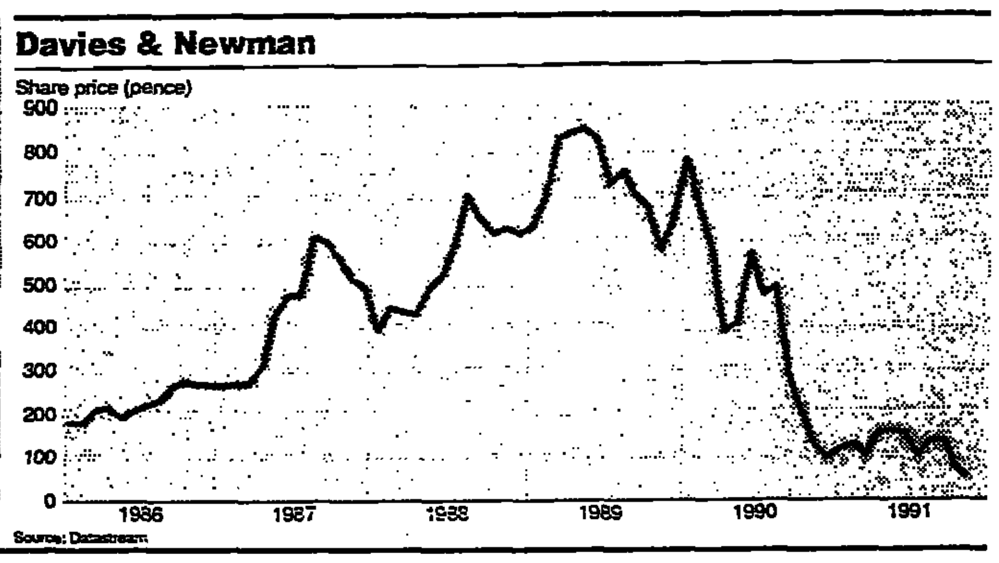
The meeting was dominated by Mr David James, the company doctor who has chaired the company for the past year, having taken over from the founder Mr Frederick Newman. As a result of the rescue package approved by the meeting and his family, the Newman holding will fall from 62 per cent to about 4 per cent.

The proposals amount to a virtual reflotation, with the placement of 107.5m new shares – 15.3 times the present number – to raise £49.3m net of £4.4m expenses.

The 50p-a-share price is less than 6 per cent of the April 1989 peak of 845p. It compares with an opening price of 155p on October 1, the day the proposals were announced.

In an hour-long peroration, Mr James answered the 25 questions posed by Mr Randolph Fields, the leading dissident, and stirred the 60-strong audience with his tale of a company that had come close to death on several occasions and was about to be reborn.

Frederick Newman (left) with David James, pilot for the past year



Shareholders heard how during the Gulf war, "when not even pigeons were taking to the air", the company was losing £600,000 a day and used up all but £1m of its £82m borrowing facilities, which had already been more than doubled.

The banks' special fee for extending and enlarging the facility was £8.75m, in addition to interest charges, which this year are likely to total £9m.

Mr Fields was the subject of a High Court injunction gained by Davies & Newman on Wednesday to prevent him making use of a confidential company document that had come into his possession.

Although he and four others voted against the resolution sanctioning the increase in share capital, 54 put up their hands in favour.

The vote in terms of shares showed 99.4 per cent assenting.

Mr James kept stressing that the only alternative was liquidation, in which the banks might have done all right, but trade creditors – which peaked at £100m – would have been in a poor position, the 2,400 staff would have lost their jobs and the shareholders would have got nothing.

Mr James ranged as far as the British aviation industry, already reeling from the Air Europe collapse, and even to the British balance of payments.

On a micro level, he mentioned – in answer to Mr Fields's questions – that directors' pay was going up from £501,000 in 1990 to £704,000 this year, including his fees for 12 months instead of two. Professional fees had shot up from £400,000 in 1989 to £2.5m in 1990 and £2.3m in the first half of this year.

Mr James described how the group had lost its net worth, notably through retained losses amounting to £42.2m in the 18 months to June this year.

However, he stressed the improving trend. In the second half of this year, pre-tax losses were expected to be £5m, including £3.75m of the banks' payment. This compared with a £20m loss in the second half of last year.

While losses for the full year are set to be £35m, Mr James's projections for 1992 show flat sales of about £382m and a bounce back into profit of £20m pre-tax.

The share issue is set to give the group cash next month, compared with borrowings of £31m on the eve of the meeting.

The plan involves Dan Air, Europe's 12th largest airline and possessor of a strong position at Gatwick, switching its emphasis from charter to scheduled flights.

The number of charter aircraft is being reduced from 32 to 15, while the scheduled services will have 19 at their disposal compared with four.

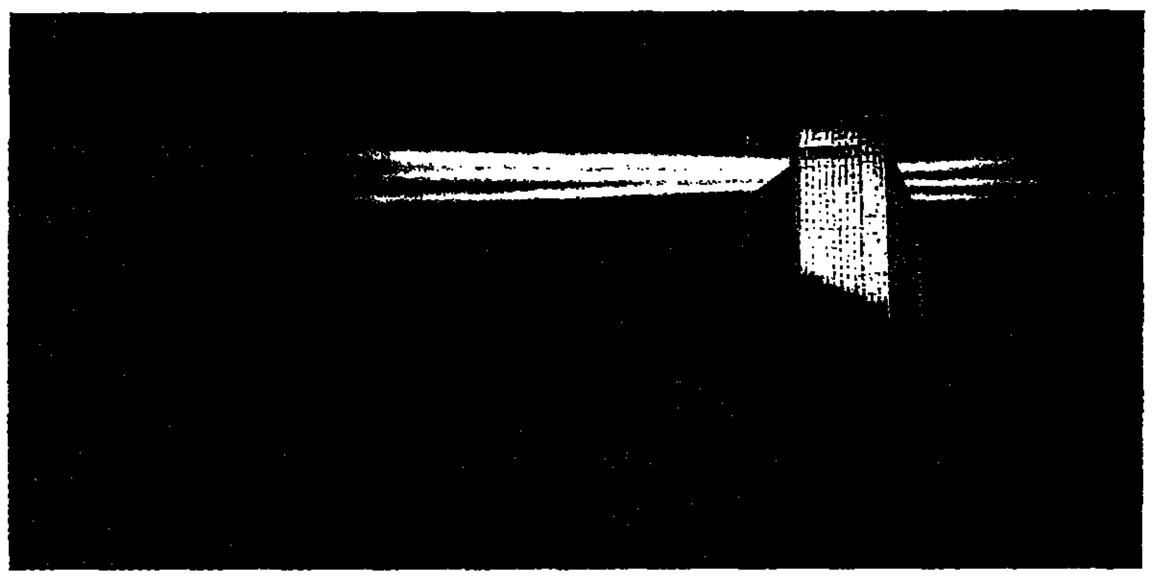
Mr James said: "One of the factors burning a hole in the company was that there were a lot of aircraft sitting around doing nothing in the winter."

Dan Air was the only short-haul operator based at Gatwick and it could develop additional scheduled routes without significantly increasing its overheads. "We are uniquely placed."

He defended the board's efforts over the past year by saying: "We ensured the company survived the crisis, we have secured £49m, we have given existing shareholders a chance to participate and we have preserved some value in their investment, hopefully with the opportunity for growth."

Mr Reza Sulaiman, managing director of Holidaymaker Group, which built up a 1.2 per cent stake at a cost of £3 a share upwards, said after the meeting that "50p a share is not a major achievement. It is a giveaway."

But for Mr Fred Newman, who founded the company in 1953 when it flew from Blackbush, and moved it to Gatwick in 1960, the day was tinged with regret of a different order.



There is always more than one way

Adventurous journies with a map in your hand and a pack of provisions on your back have no place in the world of business in the late 20th century. A good businessman does not obtain *new markets by doing more than is necessary.* Don't waste your energies by doing things the hard way when you can turn to Motokov Ltd.

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NEWS DIGEST

Hicking Pentecost tops £1m

SHARES OF Hicking Pentecost yesterday rose 16p to 103p after the textiles and specialist forgings group unveiled record interim figures.

At £1.14m for the six months to end-September, they were substantially ahead of the previous £420,000.

Earnings per share worked through at 7.19p (5.1p) on the higher capital, while the interim dividend is doubled to 1.2p in part to reduce disparity with the final – 1.65p last time.

Mr John Lister, chairman, said the results reflected management efforts made over the last two years. All businesses traded above expectations, with turnover rising from £9.81m to £12.2m, and indications were now appearing that "recessionary presures of the past two years have started to ease."

Proceeds of the placing and open offer considerably strengthened the financial position. With all divisions trading profitably and generating cash, gearing was nominal.

A boost to the profit line was a cut in interest charges to £220,000 (£394,000) and the absence of exceptional costs (£127,000).

Radiotrust achieves £12,000 halfway

Radiotrust, which invests in quoted and unquoted sound broadcasting companies, moved back into the black at the interim stage after incurring a pre-tax loss of £64,000 for the whole of 1990-91.

However, profits of £12,000 for the six months to end-July compared with profits of £45,000 for the corresponding period of the previous year.

Earnings worked through at 0.39p (same) after a tax credit of £21,398 (£10,965 charge).

Net asset value at July 31 stood at 56.72p per share against 86.35p a year earlier and 57.24p at the January 31 year end. The marginal fall in the last six months reflected minor adjustments in valuations of unquoted investments.

Airflow Streamlines just breaks even

Reduced demand, facility under-utilisation and contraction, depressed margins and redundancy costs made a significant impact on Airflow Streamlines, which only just broke even for the opening six months.

The group saw profit fall from £1.01m to £5,000 pre-tax in the half year to August 31. Turnover fell from £33.1m to £31.9m. There were nil earnings per share, against 7.38p, and the interim dividend is passed (2p).

In manufacturing, further reduced demand for cab assemblies continued to affect the production division and Whiteley. The results in production were compounded by the extended deferment by the customer of a new model range, leading to under-utilisation of a substantial investment. However, the model was currently in production.

The motor operation increased its share of a declining market for new car sales, but margins were reduced.

Majedie net asset value rises 24%

Majedie Investments reported a 24 per cent rise to 348p in net asset value per share at September 30 over the 281p a year earlier.

Net revenue for the year amounted to £2.58m (£2.46m) after tax of £995,000 (£1.01m) leaving earnings at 9.81p (9.36p). The proposed final dividend is 6.5p making a total of 9p (8.5p).

Static performance at GR (Holdings)

GR (Holdings), which operates the Grayshott Hall health farm in Surrey along with its sheepskin merchanting, property and investment activities, reported profits virtually unchanged for the year to end-June.

The pre-tax outcome of £1.62m was achieved on turnover down 20 per cent at £6.19m.

Earnings per share worked through at 6.5p (6p). A same-again final dividend of 1.75p is recommended, maintaining the total for the year at 2.15p.

Extraordinary charges amounted to £604,197 (£1.08m).

Timetable set for British Telecom sale

The timetable for the £5bn sale of part of the government's shareholding in British Telecommunications was announced yesterday.

The pathfinder prospectus, which will disclose the price of the UK retail first installment – will be published on Wednesday November 13.

Discount Day – when investors in the retail offer will know how much of a discount they will get against the price paid by the institutions – is Thursday November 21.

The retail offer will close at 10.00am on Wednesday December 4.

Frost Group offer oversubscribed

The £46m offer and placing of shares in Frost Group, one of Britain's largest petrol retailers, was 1.3 times subscribed, the group announced yesterday.

The 10 per cent of shares offered to eligible Norfolk House holders was twice subscribed. Norfolk House, which bought Frost last year for a £60m all-paper consideration, was put into administrative receivership in March.

Scottish Mortgage net assets higher

Net asset value of Scottish Mortgage and Trust rose to 180.7p in the six months to September 30, a 4.3 per cent increase on the 173.3p at the March 31 year end.

Net revenue was £8.57m compared with £8m for the corresponding period of the previous year. Earnings rose from 2.22p to 2.37p. The interim dividend is increased from 1.25p to 1.3p.

Directors said in spite of a dull outlook in the second half they expected to recommend a final dividend which, together with the interim, would at least maintain the real value of last year's 3.7p pay-out.

Aberdeen Petroleum slips to £7,000

Net profits of Aberdeen Petroleum, the USM-quoted oil and gas company, fell to £7,000 for the six months to June 30, compared with £234,000 last time. Equivalent earnings per share declined from 0.45p to 0.01p.

The pre-tax result of £13,000 (£234,000) was achieved on turnover of £1.37m (£1.53m).

On current trading the company said that although oil prices had firmed gas prices continued to weaken and without an improvement in North American gas prices it was difficult to see an improvement in second half results.

A new loan facility had been agreed in the US which provided a further $3.3m (£1.9m) of borrowing capacity.

Overseas Inv Trust net assets rise 31%

Net asset value of The Overseas Investment Trust rose 31 per cent, from 213.7p to 279.3p over the 12 months to September 30.

Attributable profits increased slightly to £1.25m (£1.23m) for earnings of 3.3p (3.23p) per share.

A proposed final dividend of 1.75p brings the total for the year to 2.5p (2.4p).

Cambridge Group ahead to I£2.5m

Cambridge Group, the Irish financial services concern, lifted pre-tax profits from I£1.96m to I£2.51m (£2.3m), in the six months to August 31 1991, despite providing for its biggest credit loss.

Mr Colm Menton, chairman, said the group's arrears levels continued to be "well below the market norm" but the collapse of the Europa group led to an additional I£200,000 provision.

Turnover expanded to I£17m (I£12m). The core businesses of asset financing and confirming performed well and achieved its targets. There were now four mainland UK locations.

Earnings per share worked through at 3.15p (2.78p) and the interim dividend is 0.45p (0.4p).

The main associate, Xtra-Vision video group, turned round to a "very healthy" profit of I£700,000 and increased its provisions against the lease guarantees in respect of the businesses sold in the UK.

Securities Trust of Scotland assets up

Net asset value of the Securities Trust of Scotland, after deducting prior charges at par, amounted to 77p at September 30, a rise of 4.9 per cent over the six month period.

The gain on the same stage of 1990 was 27 per cent.

This Martin Currie-managed trust reported net revenue for the half year down from £5.85m to £4.96m, leaving earnings of 1.83p (1.81p) per share.

The interim dividend goes up from 1.02p to 1.08p.

Jarvis suffers sharp setback to £71,000

The deep recession in the construction industry hit Jarvis hard with pre-tax profits for the six months to June 30 tumbling from £708,000 to £71,000.

The outcome was struck after interest charges of £479,000 (£219,000). Gearing stands at about 30 per cent.

Earnings per share emerged at just 0.3p, against 2.6p last time and the interim dividend is cut from 0.825p to 0.25p.

Turnover, including a maiden contribution from Shepherd Hill Civil Engineering, acquired last December, rose from £34m to £61m.

Prices for electricity determined for the purposes of ... [illegible]

[illegible]	[illegible]	[illegible]

Commonwealth Bank

Commonwealth Bank of Australia

(successor in law to the State Bank of Victoria)

(the "Bank")

NOTICE

to the holders of those of the

U.S.$300,000,000

Guaranteed Floating Rate Notes Due 1996

of the Bank presently outstanding

NOTICE IS HEREBY GIVEN to the holders of the above Notes that, at the adjourned Meeting of such holders convened by the Notice published in the Financial Times on 20th September, 1991 and held on 16th October, 1991, the Extraordinary Resolution set out in such Notice was duly passed. Accordingly, the alterations referred to in the Extraordinary Resolution have been implemented with effect on and from, and the Third Supplemental Trust Deed and the Deed of Release have been executed on, 17th October, 1991.

Copies of the Third Supplemental Trust Deed are available for inspection at the offices of the Paying Agents for the Notes.

This Notice is given by
COMMONWEALTH BANK OF AUSTRALIA
(successor in law to the State Bank of Victoria)
48 Martin Place, Sydney, NSW 2000, Australia

NOTICE

to the holders of the

U.S.$125,000,000

10-Year Guaranteed Extendible Floating Rate Capital Notes

of the Bank

NOTICE IS HEREBY GIVEN to the holders of the above Notes that, at the adjourned Meeting of such holders convened by the Notice published in the Financial Times on 20th September, 1991 and held on 16th October, 1991, the Extraordinary Resolution set out in such Notice was duly passed. Accordingly, the alterations referred to in the Extraordinary Resolution have been implemented with effect on and from, and the Supplemental Trust Deed has been executed on, 17th October, 1991.

Copies of the Supplemental Trust Deed are available for inspection at the offices of the Paying Agents for the Notes.

NOTICE

to the holders of the

U.S.$125,000,000

8 1/2% Guaranteed Notes Due 1993

of the Bank

NOTICE IS HEREBY GIVEN to the holders of the above Notes that, at the adjourned Meeting of such holders convened by the Notice published in the Financial Times on 20th September, 1991 and held on 16th October, 1991, the Extraordinary Resolution set out in such Notice was duly passed. Accordingly, the alterations referred to in the Extraordinary Resolution have been implemented with effect on and from, and the Third Supplemental Trust Deed and the Deed of Release have been executed on, 17th October, 1991.

Copies of the Third Supplemental Trust Deed are available for inspection at the offices of the Paying Agents for the Notes.

Dated 25th October, 1991.

UK COMPANY NEWS - POLLY PECK INTERNATIONAL

Signs of a split in the Nadir ranks

By David Barchard

THE HIGH Court writs served on Mr Asil Nadir, the Polly Peck chairman, and six others this week provoked a predictably strong counter-blast from northern Cyprus yesterday.

But there are now signs that the ranks of Mr Nadir's friends in the eastern Mediterranean are thinning.

"The authorities in the internationally unrecognised Turkish republic in the north of the island, yesterday despatched Mr Demirhan Sayıner, the governor of the Turkish Cypriot Central Bank, to London.

He will try to get the injunction against the central bank lifted, neatly reversing the situation during the past year when a stream of British visitors to Cyprus have battled against a Turkish Cypriot injunction.

The freeze on its assets is expected to hit the breakaway state, which has less than 200,000 inhabitants, hard.

"We do not yet know how it will affect us," a Turkish Cypriot official said in London.

The administrators' demand for £36m would almost certainly blow a serious hole in its somewhat Lilliputian economy.

Most of the Turkish Cypriot Central Bank funds are held at Midland Bank where accounts worth under £30m are being held, as well as £3m in accounts belonging to the Industrial Bank of Cyprus, which is owned by Mr Nadir.

Yesterday Mr Derviş Eroğlu, the Turkish Cypriot prime minister, said he might consider measures against Polly Peck subsidiaries on the island. Mr Rauf Denktaş, the Turkish Cypriot head of state, denied that his central bank was in any way involved in the issues surround Polly Peck.

To the Turkish Cypriots – and to Mr Nadir's advisers in London – the timing of the administrators' move does not look accidental. Last Sunday, a general election in Turkey dislodged the ruling Motherland Party, a close ally of Mr Nadir.

Mr Denktaş is already battling against US-led moves for an international conference on Cyprus which the Turkish Cypriots fear may impose a settlement on the island along lines favourable to the Greek majority. An economic crisis now could be the last straw for Mr Denktaş, for three decades the Turkish Cypriot strongman.

In Turkey, public opinion still backs Mr Nadir strongly. Hürriyet, a mass circulation daily, earlier this week reported court moves against Mr Nadir as "English tricks."

However Impex Bank, the small Istanbul merchant bank which is at the centre of a row between Mr Nadir and personal creditors who are owed a total of £80m, yesterday issued a statement distancing itself from him.

It was named as one of the seven defendants in the High Court proceedings launched on Wednesday, but no injunction has been sought against it.

"Impex Bank has been co-operating with the British authorities within the Turkish legal framework," a statement by the bank said. It officials emphasise that it no longer has any connection with Mr Nadir.

New details of the sale of the bank, which Mr Nadir's personal creditors alleged was in breach of an undertaking made by Mr Nadir to them, emerged yesterday.

In May the bank was sold for $8.9m (£5.2m), with payment in full, of which $4.9m was paid by the new owners, the Eliyeşil family, to Mr Nadir. Due diligence later produced a valuation of $6.9m for the bank.

Mr Bülent Şemiler, an adviser to President Turgut Ozal who was also active in behind the scenes efforts to save Polly Peck from going into administration last autumn, played a key part in the purchase. He now appears to have broken finally with Mr Nadir, over the deal.

Mr Şemiler, a Turkish Cypriot by birth, is a member by marriage of the Eliyeşil family. His departure is a serious blow to Mr Nadir.

Meanwhile it now looks likely that Mr Nadir may have to give up his remaining directorships of Polly Peck companies in Turkey.

"He is clearly no longer able to fulfil his role as a director," a source close to the administration said yesterday.

Lydia van der Meer

Asil Nadir: writs have caused a counter-blast

Administrators present a united front

By David Barchard

SINCE POLLY Peck International, the fruit, leisure, and electronics group went into administration a year ago with debts of £1.15bn, the three men charged with sorting out its affairs have maintained a delicate balance.

That was shaken this week by the High Court action by Mr Christopher Morris of Touche Ross, the administrator charged with pursuing possible claims against directors of the company seeking to recover over £1bn in funds from Mr Asil Nadir, the chairman, and six other defendants.

"The injunction hasn't affected our thinking on the future and possibilities of some form of reconstruction of Polly Peck," Mr Michael Jordan of Cork Gully, the senior administrator, said yesterday.

Ever since Mr Morris was nominated late in the day at the request of National Bank of Canada during the court hearing which placed Polly Peck in administration, he has kept in the background, while Mr Jordan and Mr Stone ran the business.

Some senior figures in the company say privately that they are surprised he has not seen them. There are also reports – denied by all three men – that relations between the three are sometimes tense.

Their functions, however, are very different. Since they were appointed,Mr Jordan and Mr Richard Stone, of Coopers & Lybrand Deloitte, have been working for a reconstruction of the group and an eventual voluntary arrangement with its creditors.

Mr Stone, in particular, has shuttled between the Turkish-held sector of Nicosia and London trying to negotiate a deal with the Turkish Cypriots which would have opened up the records and accounts of Polly Peck on the island.

He argued that a softly softly approach was the only way to achieve results with the Turkish Cypriots, but a year of negotiations ended this month with his admission that, though Turkish Cypriot legal obstacles have been removed, progress had been disappointing.

Only limited access to records has been obtained and there is no sign that funds on the island have been identified, still less repatriated to meet claims by the group's creditors.

Plans for the reconstruction of the group tacitly admit that this is unlikely ever to happen by leaving north Cyprus funds out of the picture.

Yesterday, Mr Stone said that he hoped the Turkish Cypriots would be able to distinguish the personal problems of Mr Nadir from the general issues surrounding the future of the group.

Mr Stone and Mr Jordan seem, however, to have persuaded Mr Morris to take action which left Polly Peck operations on the Turkish mainland undisturbed. Neither Vestel, the group's consumer electronics operation, nor Meyna, its somewhat mysterious fruit export business, have been named in the present injunctions.

Mr Morris said this week that they were trading businesses and it had been decided not to disrupt them. Meanwhile, among former Polly Peck executives a guessing game was under way about what further action Mr Morris may be planning.

Michael Jordan (left) and Christopher Morris: maintaining a balance

Those affected by the freezing orders

Isle of Man
Hillgate Ltd, Rawlinson and Hunter.

Switzerland
Nadir Investments, Alp Technology, SG Warberg Soditic, Citicorp Investment Bank Switzerland Ltd, Confidas Finance et Placements, Société Generale Alsacienne de Banque, First National Bank of Chicago, Banque Cantonale Vaudoise, Banque Bruxelles Lambert, Swiss Bank Corporation, Union Bank of Switzerland, Credit Suisse Basle, Suisse Volks Banque, Rhone Finance, Rawlinson and Hunter.

France
Sipa Press.

Turkish Republic of Northern Cyprus
Yellowstone Printing Company Ltd, Granit Insaat Sanaya Ltd, AN Graphics Kibris Ltd, Mertcam Ltd, Baykurt Ltd, Pakson Ltd

Turkey
Veb Holdings, Veb Ofset Ileri Matbaacilik, Gelişin Yayinlari A, Noble Have Tasimaciliği, Gün Holdings, Güçlü Gazetecilik Ve Yayincilik, AN Graphic Basin Sanayi Ve Ticaret.

Cayman Islands
Majestic Ltd, Tropicana Ltd, Public Transport Advertising Ltd, Mistral Ltd, Brassbell Ltd, Hutchinson Ltd, Tristan Ltd, Hayford Ltd, Sainte Maxime Ltd, Crane Creek Ltd, Mountaindew Ltd, Fairweather Investments Ltd, Eurest Ltd, Cain Islands, Arrowrock Holdings Ltd, RHB Trust Company Ltd, Forum Ltd, Cititrust (Cayman) Ltd, Bestrade Ltd.

Central London
Denihaven Ltd, Noble Raredon, Noble Air UK Ltd, Raredon Investments Ltd, South Audley Management Ltd, Alexander Wood Corporate Finance Ltd, Turkish Bank Ltd, BDO Binder Hamlyn, Barclays Bank, I Allan Esq (Liquidator, Vemak Ltd), Midland Bank (International Division), National Westminster Bank, Vizards, American Express Bank Ltd, Commerzbank, Berkeley Media Ltd, Citibank, Raredon Estates Ltd.

Jersey
Restro Investments (Jersey) Ltd, Corvo Ltd, Azania Investments (Jersey) Ltd, The Viscount: Royal Court of Jersey, Rawlinson & Hunter.

UK outside Central London
Elizabeth Forsyth, The Receiver of Burley on the Hill, PD Southeringtons, Bilge Nevzat, Fehim Nevzat, Tijun Atun, Cyprus Credit Bank Ltd, Cyprus Credit Bank Ltd, Habib Bank Ltd, Midland Bank, National Westminster Bank, Turkish Bank Ltd, Price Waterhouse, Moldore Investments Ltd.

Defendants
Gil Nadir
Mrs Safiye Nadir
Turkish Republic of Northern Cyprus
Menteş Aziz
The Industrial Bank of Kibris/ Kibris Endüstrisi Bankisi Limited
The Central Bank Of The Turkish Republic of Northern Cyprus
Impexbank - Turkiye Ithalat Vey Ihracat Bankasi
Unipac Packaging Industries Limited

Civil claims trial could be delayed up to two years

By Robert Rice, Legal Correspondent

THE TRIAL of the £1bn civil claims launched yesterday by the administrators of Polly Peck International could be delayed by up to two years because of the criminal proceedings being taken by the Serious Fraud Office against Mr Asil Nadir, the former chairman.

On Tuesday Mr Nadir appeared at Bow Street magistrates' court, London, to answer a further 58 charges of theft of £130m. He already faced 18 charges of theft and false accounting totalling £25m.

His case was due to be transferred to the Old Bailey under the special committal procedures of the 1987 Criminal Justice Act in November. But the additional charges have put back the transfer of the case until early next year.

After transfer a trial judge will be appointed following which there will be a series of preliminary hearings which could last anything up to a year.

The administrators said yesterday they would proceed with the civil claims irrespective of the criminal proceedings against Mr Nadir. But at some stage Mr Nadir is likely to make an application to the court that they should be halted pending the outcome of his trial.

He will argue that the issues raised by the civil actions are so inextricably linked to the criminal case that there is a serious risk that they would prejudice his chances of a fair trial. The criminal case, on the other hand, is unlikely to prejudice the outcome of the civil cases.

The precedent for stopping civil proceedings until after a related criminal trial is the Guinness case. Guinness's civil action to recover £5.2m from Mr Ernest Saunders and Mr Tom Ward, the Washington lawyer and former non-executive director of the drinks company, was halted against Mr Saunders until after his criminal trial. Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, said the risk of serious prejudice to his case was too great.

The court did not halt the civil proceedings against Mr Ward, however, even though he may yet face prosecution arising out of the Guinness affair. There is, therefore, an argument for saying that the civil cases against the other six defendants named in the writs issued on Wednesday could go ahead.

The court would need to be satisfied that they did not raise issues which had a bearing on Mr Nadir's trial, however. This would be very hard to prove. The reality is that all the civil claims are likely to be postponed until after the criminal trial.

The first opportunity for the seven defendants named in the writs to hit back at the administrators will come next Tuesday, when both sides will appear in the High Court to argue whether or not the Mareva injunction granted to the administrators on Wednesday should be made permanent.

It will be up to them to persuade the court there are sufficient reasons why the injunction, which freezes their assets held by more than 100 companies and individuals around the world, should not be made permanent.

If they are unsuccessful they will be unable to "dispose of or deal with" these assets until after the civil trial and the judgment, if any, has been met in full.

It will therefore be open to them to argue that freezing their assets for up to three years is oppressive and amounts to an abuse of the Mareva process. The law is clear that the Mareva jurisdiction of the High Court is not to be used for the purpose of putting pressure on a defendant to secure the claim.

If the court felt the administrators were using the injunction as a ploy to put pressure on the defendants to assist in tracing Polly Peck assets it would be bound to lift it.

It is not clear whether this issue was addressed when the administrators were granted their interim injunction on Wednesday, although Alsop Wilkinson, the administrators' lawyer, said yesterday that the court is far more concerned with whether the assets will be dissipated if the injunction is not granted than the length of time they would remain frozen before the claim came to trial.

The other doubt about the Mareva process relates to one of the defendants, the central bank of the Turkish Republic of Northern Cyprus. The UK's 1978 State Immunity Act is clear that injunctions cannot be granted against foreign states, and this includes a state's central bank.

The bank might therefore be able to argue that the injunction should be lifted against its assets held in the UK.

Again it is not clear whether this point was addressed by the court on Wednesday, but Alsop Wilkinson maintains that as the British government does not recognise the Turkish Republic of Northern Cyprus as a separate state the court is unlikely to recognise it as one either.

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Wythenshawe
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London EC3N 4EY

25 October, 1991

ISLE OF MAN

The FT proposes to publish this survey on
December 5 1991.
This survey will be circulated in 160 countries worldwide providing an indepth view of the Island. It will be of great interest to the FT's senior businessmen readers plus our institutional and private investors. To reach these audiences contact,

Ruth Pincombe
Financial Times.
Alexandra Buildings,
Queen Street,
Manchester M2 5HT
Tel: 061 834 9381
Fax: 061 832 9248
Telex: 666813

FT SURVEYS

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Subordinated Floating Rate Notes due July 1997

In accordance with the terms and conditions of the Notes, we hereby give notice that the next interest payment date will be January 24, 1992.

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Interest payable will be:
- US$ 146.94 per US$ 10,000 nominal principal amount for registered notes
- US$ 146.94 per coupon for US$ 10,000 denomination bearer notes
- US$ 3,673.61 per coupon for US$ 250,000 denomination bearer notes

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Floating Rate Notes
Due 1996

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 24th October 1991, to (but excluding) 24th January 1992, the Notes will carry an interest rate of 10.6625 per cent. per annum. The relevant interest payment date will be 24th January 1992. The coupon amount per £10,000 will be £268.02 payable against surrender of Coupon No: 21.

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PTE 5,000,000,000

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(the "Bonds")

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Notice is hereby given that pursuant to the conditions of the Bonds, for the three years 13th December, 1991 to 13th December, 1994 the Bonds will carry an interest rate of 12 1/8 % per annum. Interest payable on the coupons 7 through 12, on the relevant interest payment dates 13th June, 1992 through 13th December, 1994 will amount to PTE 60.625 per Bond of PTE 1,000 nominal amount.

PTE 10,000,000,000

EIB BONDS ESCUDOS / 89-I due 1997
(the "Bonds")

Newly applicable interest rate

Notice is hereby given that pursuant to the conditions of the Bonds, for the three years 13th December, 1991 to 13th December, 1994 the Bonds will carry an interest rate of 12 1/8% per annum. Interest payable on the coupons 6 through 11, on the relevant interest payment dates 13th June, 1992 through 13th December, 1994 will amount to PTE 60.625 per Bond of PTE 1,000 nominal amount

Luxembourg, 25 th October, 1991

COMMODITIES AND AGRICULTURE

Soviet energy crisis threat to oil exports

By John Lloyd in Moscow

INCREASING CHAOS in the production and supply of oil in the Soviet Union is forcing a number of republics to curb consumption and initiate energy cuts.

Forecasts for the coming winter point to widespread energy shortages across the country. At the same time, efforts to stimulate foreign investment in the oil sector are being thwarted by the disintegration of central control as well as by rivalries between republican and local authorities in the oil producing regions.

A report in yesterday's Komsomolskaya Pravda predicted that the "ever-spreading oil crisis" in the main producing region of Tyumen, in Western Siberia, will mean that oil exports will dry up next year.

Mr Yevgeny Altunin, chairman of the Interdepartmental Commission on the Development of the Western Siberian Oil and Gas Complex, told the daily newspaper that "the Western Siberian complex is disintegrating and a number of enterprises are leaving the area."

"In the past three years 100m tonnes of oil have been wasted," he was quoted as saying.

Shortages are hitting the Baltic states - now formally independent countries - where deliveries have been cut. Rationing has been introduced in Latvia, the most energy-intensive of the three states.

The government there decided on Wednesday to liberalise all energy prices from November 1.

In Moldova, where independence has also been declared but is not yet formally recognised, prices for crude and products have doubled. In Armenia, a shortage of all types of energy has necessitated cuts in lighting, heating and television broadcasts.

On the free market prices are soaring is occurring for ever larger volumes - reaching Rs1,000 a tonne compared with an official level of about Rs70 a tonne.

Exploitation of the two largest fields that have been opened for bids from foreign oil companies - the offshore reserves off Sakhalin in the Far East and the Tenghiz field in the Republic of Kazakhstan - have both been held up by political delays.

The Sakhalin development has been delayed by disagreement over which consortium should be chosen and the terms of the concession.

As for the Kazakhstan prospect - generally regarded as one of the most promising one in the world -development is being renegotiated between the republic's government and Chevron, the US major. The outcome of the talks remains uncertain.

Nevertheless, the interest of the international industry in the potential of the Soviet Union with vast reserves, continues to mount.

On the distribution side, meanwhile, Total of France has been authorised to establish petrol stations across the country as well as to manufacture extraction and processing equipment at a converted defence plant.

Mr Serge Turchuk, the president of Total, said after meetings with President Mikhail Gorbachev of the Soviet Union and Mr Ivan Silayev, chairman of the Committee for the Management of the National Economy, that company would be willing to look at "the most widespread forms" of partnership. Standard terms for a concession were for the producing country to keep 75 per cent of the revenues deriving from the oil extracted.

Rubber pact talks end in disarray

By Lim Siong Hoon in Kuala Lumpur

THE INTERNATIONAL Natural Rubber Organisation has failed to agree on the provision of next year's budget with consumers and producers at loggerheads over the financing of further meetings to thrash out a new price support pact.

An extraordinary session is to be convened in December to try to overcome the impasse, which was not resolved despite a marathon meeting that broke up early yesterday morning.

Rubber producers led by Malaysia have been pressing for an early start to the negotiations on a successor to the second International Natural Rubber Agreement for which financing is required.

The existing pact does not expire until December 1993, however, and delegates from consuming countries opposed the calling of an early meeting saying that they had no mandate to embark on oneone at the three-day meeting here.

Malaysia's proposal for an early resumption of talks dominated the organisation's session here. But it has yet to specify areas in the current agreement which it wants to be renegotiated.

The producers themselves have yet to agree on how they want the pact restructured.

The delay in obtaining financing approval could could give them the opportunity to establish a consensus as well as to reach a decision on the the Malaysian proposal.

An Amazonian Klondike loses its lustre

Christina Lamb surveys the travails of Brazil's indefatigable illegal gold prospectors

Ze Arara is a legend among Brazil's wildcat gold miners. Having already made and lost three fortunes Ze now believes he is on his way to the fourth, a view evidently shared by the hundreds of hungry young men arriving each day at the El Dorado goldfield.

"This is the richest gold find in the Amazon, perhaps in the world", he declares."

Such discoveries are becoming rare, however. The flood of hundreds of thousands of fortune seekers from Brazil's impoverished north-east into the world's largest rainforest began in 1979 as the world gold price peaked (reaching $850 a troy oz in 1980.

It has slowed dramatically, however. In the once bustling Amazonian mining locations such as Itaituba and Alta Floresta the goldshops are now doing little business.

"This has been one of the world's greatest gold rushes far outstripping the Klondike but it is showing signs of wear," says Mr Peter Rich, a Rio de Janeiro-based gold expert.

Others are more categorical. "The garimpeiro [wildcat miner] era is at an end," asserts Mr Elmer Prata Salamao, chief of Brazil's National Mining Department (DNPM). According to him, the combination of pressure from environmentalists, who claim the garimpeiros are destroying the forest, exhaustion of superficial deposits, increased costs and lower world gold prices mean this year for the first time production from mining companies will outweigh that of the free-lance miners. Garimpeiro production, he says, has dropped from 90 tonnes in 1988 to 25 tonnes this year.

But Ze Arara refuses to accept this judgement. He was born Jose Araujo but his adopted name means "The Macaw", a symbol that he has painted on the pick-ups flown in pieces to El Dorado before being reassembled. He is always on the move. Now 50 years old, he is a bizarre character wearing a straw hat and with a sagging stomach. Ze Arara once owned 41 shops and 17 aircraft. He claims to have sold 15 tonnes of gold to Brazil's central bank since 1973.

His is a classic example of the garimpeiro motto that it is not so much the value of the gold that matters as discovering it. Seeing the sparkling grains appearing as a the miner pans the muddy water, it is easy to understand what attracts so many to what is an extremely hard life. When someone strikes it lucky the cry goes up and it is drinks all round at the Ouro Verde, or Green Gold bar, where one gramme of gold buys three beers. Often the money is squandered on prostitutes and a night at the presidential suite of a hotel in a big city leaving the miner blefado - or bankrupt.

At Itaituba airport groups of hollow-eyed garimpeiros await the small aircraft that are the only means of transport in the vast jungle. Eliase, a miner from Maranhao, says: "I have a friend who found 900 grammes of gold and blew the lot having fun. He came back blefado without even a shred of new clothing. But he was happy - he had known what it was like to be rich for a day".

The desire to strike gold drives most garimpeiros to work on a percentage basis earning 10 or 20 per cent from the patrao, or "owner" of the field, in return for working a pump, water jet, sluice or mechanical crusher. Often they go weeks without earning anything, living under plastic sheets and frequently falling prey to malaria endemics in the region.

Unlicensed gold mining is technically illegal but the government is happy to buy the gold, which is then used to stabilise the cruzeiro in an operation that has contributed to the fall in the world price. In some years no less than 90 per cent of Brazil's gold production has come from garimpeiros.

Sensitive to international opinion, the Brazilian government has been bombing airstrips in Roraima to discourage the mining activity in an area believed by some experts to have deposits which could far exceed those of Mata Grosso and Para, currently the main gold producing states. But Roraima is also home to the Yanomami Indians and there were violent clashes earlier this month as the police tried to clear the garimpeiros out.

The government is unlikely to close the garimpos (mining areas) forcibly, however. The miners have succeeded in colonising the Amazon to an extend that the farming projects of the 1980s failed to achieve. There are as many as 800,000 miners working in 2,000 garimpos with three times as many supporting their endeavours - working as prostitutes, pilots or mechanics, or serving in bars, canteens and shops.

Although garimpo gold is a billion dollar business, for most workers it means survival. The majority of them are men aged between 15 and 35 from the drought stricken north-east. If they were to be driven out of the Amazon they would have no option but to join the swelling masses of unemployed in Brazil's desperate cities.

Because oftheir violent reputation they have earned little public sympathy in the wider body politic, however. Hounded by ecologists and squeezed by the economics garimpeiros will have to form associations or co-operatives that can buy machinery and fight for their rights, Mr Prata believes. "All signs indicate that garimpeiros as we know them are being replaced by legitimate organised production units fighting their battles in courts rather than with guns", he says

The traditional concept of a garimpeiro as an "ant" with a pan on his back has faded. Today most of them use some kind of mechanical device. Ze's business which employs 3,000 men rewarded on a percentage of the proceeds operates like a small mining company, even if some of its equipment is somewhat primitive.

Some garimpeiros are now find limited employment with mining companies. Mr John Bentley, the superintendent of Sao Bento Mining Company, which is exploring in a garimpeiro area, explains: "I think we can coexist because we are looking for much lower grade ore than they can work with and by opening up an industrial scale operation we'd be opening up jobs and a supporting economy".

Even Ze Arara, while refusing to admit the end is in sight, concedes that garimpeiros might fade out naturally over the next 30 years perhaps turning to logging or other environmentally controversial activity.

Nevertheless, in El Dorado the garimpeiro era seems far from finished. Activity on the airstrips seems ceaseless, saw mills are hard at work producing wood for the construction of houses and grizzled men wear chains bearing nuggets bearing witness to their toil.

The desire to get rich is as alive as ever. Twenty-year-old Joelson has just arrived on the scene - one of 10,000 new entrants to the business in the last seven months. "I heard the news - there's gold to be had," he exclaimed with the enthusiasm of a novice.

Brazilian Gold Output (tonnes)

	Company	Garimpo
1981	4.4	37.6
1982	4.5	40
1983	6.2	63.8
1984	6.7	55
1985	7.6	65
1986	9.3	75
1987	13.1	78
1988	22.2	90
1989	22.9	80
1990	29.9	60
1991*	35	25

*estimated. Source: DNPM

Peru moves to maximise its neglected fishing potential

The country is preparing for a fresh assault on the world canned fish market, writes Sally Bowen

Now firmly established at the top of the world fishmeal exporters league, Peru is preparing for a fresh assault on the international market for canned fish. Two of the country's biggest fishing groups are preparing to reactivate some of Peru's vast installed capacity mothballed for the past eight years.

Fishing remains the country's most dynamic economic sector and the only one in the current recession registering substantial growth. It is expected to account for 15 per cent of total exports this year, compared with 11.8 per cent in 1990, and will be second in importance only to copper as a foreign exchange earner.

Peru's fishing fleet took to the sea again in late September, after the customary three-month moratorium on harvesting pilchard and anchovy imposed to protect stocks. The industry is on set to match last year's record output of 1.3m tonnes of fishmeal. Production should be 15 per cent higher next year as a result of investment in new technology which will substantially improves yields, according to Mr Arturo Madueno, president of the National Fishing Society.

With trade barriers tumbling around the world and Andean Pact countries eliminating tariffs on imports from member countries from January 1992, the Sotomayor group and Inversiones Industriales Carolina are planning to expand their canning business as a complement to fishmeal sales. Mr Manuel Sotomayor earlier this year bought a half-share in the huge state-owned Copes cannery and plans a "massive cannery reactivation project over the next 12 months" bringing his group's capacity up to 2.5m cases.

Mr Ismael Benavides, a former minister of fisheries and now president of Carolina, Peru's leading canned fish producer, says that sales grew 20 per cent last year and that a similar increase is expected in 1992.

Carolina has just inaugurated a can manufacturing plant at a cost of $1m, a relatively large investment for Peru industry.

Peru has the installed capacity to produce no less than 30m cases of canned fish annually. In the peak year 1981, before the principal South African buyers and investors moved south to take advantage of the more attractive investment regime in Chile, Peruvian exports totalled over 10m cases. But now only about five per cent of capacity is being utilised. The 1.6m cases exported last year earned over $20m in foreign currency but that "could easily be bumped up six or seven times in as many months", says Mr Madueno.

Sotomayor and Carolina will be aiming primarily at Latin American markets "You can forget about selling canned fish in quantities to the developed countries, except to poorer ethnic groups," says Mr Sotomayor. "But it's the best hope for bringing fish to the mass lower end of the market." Although cans themselves are expensive and account for over half total production costs in Peru those of distribution are minimal. Refrigeration is not required.

Apart from the revival of interest in canning, there is a flurry of investment throughout the Peruvian fishing industry. With the the sweeping trade liberalisation and new incentives for foreign investment introduced by President Alberto Fujimori's administration Peruvian entrepreneurs are on the look out for joint ventures to take advantage of still untapped sources of wealth.

The Peruvian oceanic research institute, Imarpe, calculates that the current catch, which has been stable for several years at around 6.5m tonnes, could be increased by about 30 per cent without damage to stocks.

Sarimon which is part of the large Vera Gutierrez group of companies and Peru's second fishmeal producer, is well advanced in negotiations with a US shipbuilding company for purchase of half a dozen 600-ton deep-sea trawlers.

The company is also about to bring on stream the first of two high-technology fishmeal plants where they aim to produce "LT94", the highest-quality low-temperature fishmeal bought by fish farmers and for the nutrition of exotic animals such as mink, bison and suckling pig. It can fetch up to $750 per tonne, around double the price of ordinary varieties.

Peruvian Fishing Sector Exports in 1990

	tonnes	value ($million)
Fishmeal		
Private sector	755,448	231.2
Pescaperu	378,652	121.2
Fishoil		
Private sector	22,186	3.6
Pescaperu	16,806	3.0
Frozen fish	20,025	30.0
Canned fish		
Private sector	1.6m	20.8

Kuwait's recovery plan

KUWAIT HAS charted a recovery timetable for its oil industry that will restore it to the front rank of petroleum exporting and refining countries, Kuwaiti oil industry sources said yesterday, reports Reuter.

The plans are being presented to bankers who have been invited to join in a $5bn loan to the Kuwaiti government.

All the oil well fires set by retreating Iraqi forces in February are expected to be extinguished within the next few weeks, almost four months earlier than oil minister Hamoud Abdulla al-Raqba had expected even a month ago.

Early this week, only 58 wells were still burning out of the 732 set alight or damaged by the Iraqis.

Kuwait's oil refineries are expected to be processing about 380,000 barrels of oil a day by the end of this year and crude oil production should be about 500,000 b/d.

By the end of next year, refineries should process nearly 500,000 b/d, with crude oil output running at 1.3m b/d, the industry sources said.

Oil output is expected to hit two million b/d by the end of 1993, just short of Kuwait's pre-invasion capacity of 2.3m b/d.

WORLD COMMODITIES PRICES

MARKET REPORT

THE GOLD price dipped back below $360 a troy ounce in early trading at the London bullion market yesterday, continuing the decline that followed Monday's strong advance. But most of the fall was recouped later and the price closed only 20 cents down on the day at $361.75 an ounce. Dealers attributed the morning fall to Swiss and Middle Eastern selling, but a significant amount of buying interest emerged at the lows. Platinum followed a similar pattern, dipping to $360.75 an ounce before rallying to $361.75 an ounce,$3.50 down, at the afternoon fixing. By the close it had recovered further to $363.50 an ounce. At the London Metal Exchange the aluminium market continued this week's see-sawing performance with cash metal closing $10 down at $1,176.50 a tonne. Dealers said sentiment was weakening in view of the absence of further production cuts since that announced by Alcan of Canada last week. But they noted that support emerged at just above $1,200 a tonne for three months metal, which closed at $1,204.50 a tonne, down $11. The strongest LME market was zinc, with the cash price closing $22.50 up at $1,009.50 a tonne. Dealers said the rise was in response to rumours that a European producer had reduced output.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$18.50-8.60z	-.075
Brent Blend (dated)	$22.15-2.30	-.125
Brent Blend (Dec)	$21.90-2.00	-0.10
W.T.I. (1 pm est)	$23.30-3.40z	-.25
Oil products		
(NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$238-240	-2
Gas Oil	$218-220	-2
Heavy Fuel Oil	$85-88	-.5
Naphtha	$215-216	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$361.75	-0.20
Silver (per troy oz)♣	241.5c	+0.8
Platinum (per troy oz)	$361.75	-3.5
Palladium (per troy oz)	$85.60	-0.4
Copper (US Producer)	110.275c	+0.22
Lead (US Producer)	37.8c	
Tin (Kuala Lumpur market)	14.90r	-0.03
Tin (New York)	257.0c	-0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	105.39p	+1.31*
Sheep (dead weight)†	108.94p	+1.58*
Pigs (live weight)†	75.10p	+2.05*
London daily sugar (raw)	$234.9j	-4.5
London daily sugar (white)	$268.5j	-1.5
Tate and Lyle export price	£247.0	
Barley (English feed)	£117.0	
Maize (US No. 3 yellow)	£140.5	+0.5
Wheat (US Dark Northern)	£101.0	
Rubber (Nov)♥	54.25p	-0.25
Rubber (Dec)♥	53.75p	-0.25
Rubber (KL RSS No 1 Nov)	227.5m	-0.5
Coconut oil (Philippines)§	$565.0y	+7.5
Palm Oil (Malaysian)§	$350.0u	+2.5
Copra (Philippines)§	$365.0j	
Soyabeans (US)	£152.5	
Cotton "A" index	67.25c	-0.20
Woollops (64s Super)	367p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Nov/Dec x-Sep/Oct y-Dec/Jan z-Dec j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Dec	189.20	189.20	181.60 181.60
Mar	193.20	194.20	194.00 190.20
Oct	194.00	199.20	194.00
White	Close	Previous	High/Low
Dec	288.5	284.9	284.5 284.5
Mar	283.0	281.5	282.5 279.5
May	282.5	281.4	281.6 280.5
Aug	283.0	281.9	280.7
Oct	259.0		257.6 256.7
Dec	257.0		256.2 254.5
Mar	258.8		257.8

Turnover: Raw 174 (203) lots of 50 tonnes. White 388 (851)
Paris- White (FFr per tonne): Dec 1650.75, Mar 1645.83 (latest).

CRUDE OIL – IPE			$/barrel
	Close	Previous	High/Low
Dec	22.10	21.97	22.00 21.65
Jan	21.87	21.77	21.78 21.48
Feb	21.56	21.45	21.43 21.29
Apr	20.90	20.85	20.80
May	20.70	20.60	20.70
Jun	20.46	20.58	20.60 20.45
IPE Index	22.25	22.43	22.25

Turnover 28815 (22423)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Nov	217.25	218.75	218.75 214.00
Dec	218.25	219.00	219.75 215.00
Jan	215.50	216.00	216.00 212.00
Feb	208.00	208.00	208.00 204.50
Mar	200.50	200.50	201.00 197.00
Apr	191.60	191.50	192.00 188.50
Jun	182.00	182.75	182.00

Turnover 13772 (22940) lots of 100 tonnes

FRUIT & VEGETABLES

Apples are a good choice, varieties including Washington Red Delicious at 65-75p a lb reports the FFVIB. French Golden Delicious are at 50-60p a lb and Spartan at 55-60p a lb. Bananas are a good buy at 42-70p a lb along with Kiwifruit at 15-25p each. Top quality, homegrown Brussels sprouts are superb this week at 30-35p a lb. Sweetcorn are at 28-40p per cob, with carrots at 15-20p a lb and potatoes at 12-14p a lb. English onions at 18-20p a lb with Swede at 15-22p a lb. Round lettuce is 24-35p each with celery at 30-45p a head. Cucumber is 55-75p each.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	750	753	755 750
Mar	790	793	795 788
May	814	815	818 812
Jul	837	837	839 836
Sep	858	857	860 857
Dec	883	881	882 882
Mar	907	906	912 910
May	925	924	926
Sep	960	958	964 958

Turnover: 2691 (5574) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct. 23 939.34 (931.34) 10 day average for Oct. 24 952.48 (957.27)

COFFEE – London FOX			£/tonne
	Close	Previous	High/Low
Nov	537	540	539 528
Jan	558	558	569 549
Mar	564	567	567 561

Turnover: 4477 (7303) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct. 23: Comp. daily 64.07 (64.71) 15 day average 62.67 (62.50)

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	129.4	130.1	131.0 129.5
May	144.0		144.0 143.0

Turnover 71 (183) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Apr	136.00		136.00
Jun	129.50		129.50

Turnover 26 (5) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Oct	1661	1658	1660 1655
Nov	1694	1692	1700 1680
Dec	1693	1693	1692
Jan	1711	1712	1715 1700
Apr	1713	1717	1718 1715
Jul	1486		1485
Oct	1575	1580	
BFI	1647	1644	

Turnover 287 (227)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Nov	118.60	118.60	118.60 118.40
Jan	122.45	122.20	122.40 122.20
Mar	125.45	125.25	125.45 125.15
May	128.30	128.05	128.15 127.85
Barley	Close	Previous	High/Low
Nov	114.00	113.70	114.05 113.55
Jan	118.00	117.50	118.05 117.45
Mar	120.85	120.25	120.75 120.25

Turnover: Wheat 419 (225). Barley 252 (144).
Turnover lots of 100 tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Oct	98.8	97.0	98.2
Nov	99.0	99.0	98.5 98.0
Apr	106.0		106.0

Turnover 9 (12) lots of 3,250 kg

MGMI – London FOX				
	Close	Prev.	High	Low	Vol
Indx	136.78	135.11			
Nov					

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 22,746 lots	
Cash	1176-7	1186-7	1183.5/1184.5	1182.5-3		
3 months	1204-5	1215-6	1213/1204	1210.5-11	1208-8.5	123,807lots
Copper, Grade A (£ per tonne)					Total daily turnover 12,262 lots	
Cash	1383-5	1388-90	1394	1393.5-4.5		
3 months	1369.5-70	1368-9	1375/1368	1373.5-4.0	1368-9	107,447lots
Lead (£ per tonne)					Total daily turnover 2,866 lots	
Cash	299-300	299.5-300.5	299	298.75-99		
3 months	311.75-12	312-2.5	313/311	311-1.5	313-4	11,886 lots
Nickel ($ per tonne)					Total daily turnover 4,160 lots	
Cash	7370-90	7400-10	7465	7465-70		
3 months	7380-400	7420-5	7470/7370	7420-30	7380-85	16,789
Tin ($ per tonne)					Total daily turnover 1,359 lots	
Cash	5540-45	5560-5		5540-50		
3 months	5605-10	5625-30	5610/5605	5605-10	5610-15	5,481 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 6,723 lots	
Cash	1009-10	986-8	1000	1000-0.5		
3 months	1027-28	1006-7	1035/1014	1018-19	1029-30	27,278 lots

LME Closing £/$ rate:
SPOT: 1.7125 3 months: 1.6942 6 months: 1.6757 9 months: 1.6592

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	361.50-362.00	
Opening	360.30-360.70	
Morning fix	359.80	210.594
Afternoon fix	361.00	210.655
Day's high	361.70-362.00	
Day's low	359.00-359.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.86	6 months	4.66
2 months	4.80	12 months	4.61
3 months	4.74		

Silver fix	p/fine oz	US cts equiv
Spot	210.59	408.65
3 months	245.20	414.05
6 months	251.15	419.45
12 months	263.10	431.10

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	361.00-362.00	210.50-211.00
Maple leaf	371.00-372.00	216.50-217.00
New Sovereign	88.00-89.00	51.25-51.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	98	135	6	16
1200	32	71	38	50
1300	6	31	112	108
Copper (Grade A)	Calls		Puts	
2200	141	133	7	42
2300	67	79	32	84
2400	23	41	88	146
Coffee	Jan	Mar	Jan	Mar
500	61	71	5	7
550	27	37	21	23
600	9	12	58	53
Cocoa	Dec	Mar	Dec	Mar
725	39	89	14	24
750	26	73	25	33
775	15	59	40	43
Brent Crude	Dec	Jan	Dec	Jan
2200	32	38	55	66
2250	18			
2300	5			

New York

GOLD 100 troy oz.; $/troy oz.			
Close	Previous	High/Low	
Oct	362.1	362.3	361.5	361.5
Nov	362.4	362.7	0	0
Dec	364.0	364.3	364.2	362.4
Feb	366.7	367.1	366.8	365.1
Apr	369.4	369.8	369.5	367.7
Jun	372.1	372.6	372.0	371.5
Aug	375.2	375.5	0	0
Oct	377.8	378.3	0	0
Dec	380.9	381.4	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Oct	365.2	364.9	0	0
Jan	367.7	367.4	368.5	364.0
Apr	371.2	370.9	371.3	369.0
Jul	374.6	374.5	0	0
Oct	381.6	381.3	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Oct	410.8	409.8	410.0	410.0
Nov	411.5	409.7	0	0
Dec	413.3	411.5	414.0	408.5
Jan	415.2	413.6	0	0
Mar	419.7	418.0	420.0	415.0
May	424.0	422.4	424.0	421.5
Jul	428.0	426.5	429.0	425.0
Sep	432.5	431.0	0	0
Dec	439.2	437.8	438.0	434.5
Jan	441.4	440.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	105.05	105.60	107.40	105.00
Nov	105.90	105.95	105.50	105.70
Dec	105.60	105.35	106.30	105.20
Jan	104.20	104.25	0	0
Feb	103.55	103.55	0	0
Mar	102.95	103.00	103.80	102.95
Apr	102.40	102.45	0	0
May	101.95	101.95	102.00	102.00
Jun	101.50	101.60	0	0
Jul	101.00	101.05	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Mar	8.80	8.79	8.93	8.85
May	8.71	8.68	8.82	8.65
Jul	8.69	8.61	8.68	8.52
Oct	8.65	8.61	8.65	8.56
Mar	8.80	8.50	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Close	Previous	High/Low	
Dec	23.49	23.28	23.53	22.99
Jan	23.24	23.05	23.28	22.79
Feb	23.00	22.82	23.00	22.60
Mar	22.71	22.54	22.70	22.33
Apr	22.43	22.26	22.46	22.06
May	22.19	22.02	22.15	21.84
Jun	21.99	21.83	21.95	21.65
Jul	21.82	21.68	21.73	21.46
Aug	21.66	21.52	21.60	21.32
Sep	21.58	21.42	21.48	21.25

HEATING OIL 42,000 US galls, cents/US galls	Close	Previous	High/Low	
Nov	6628	6618	6670	6540
Dec	7027	6915	7075	6840
Jan	7042	6935	7060	6895
Feb	6838	6789	6875	6715
Mar	6539	6474	6550	6420
Apr	6243	6189	6250	6130
May	6046	6004	6000	5955
Jun	5924	5884	5890	5850
Jul	5899	5869	5890	5800
Aug	5909	5884	5890	5825

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Dec	1186	1194	1202	1183
Mar	1247	1257	1264	1249
May	1280	1289	1295	1279
Jul	1311	1318	1325	1312
Sep	1345	1350	0	0
Dec	1379	1384	0	0
Mar	1410	1415	1414	1412
May	1435	1440	1447	1444
Jul	1460	1465	0	0
Sep	1488	1493	1482	1477

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Dec	82.40	82.45	82.85	81.75
Mar	86.55	86.55	86.85	85.75
May	89.10	88.80	89.25	88.30
Jul	91.60	91.40	0	0
Sep	94.00	93.80	94.00	93.90
Dec	97.55	97.50	0	0
Mar	101.50	101.75	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Dec	62.80	62.86	62.90	62.45
Mar	64.88	64.95	64.95	64.45
May	65.96	65.95	65.76	65.50
Jul	66.31	66.72	66.55	66.31
Oct	65.55	65.73	65.65	65.60
Dec	65.70	65.75	65.90	65.65
Mar	66.20	66.90	0	0

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Nov	165.25	164.15	165.00	163.60
Jan	165.25	163.65	167.45	163.70
Mar	163.65	162.60	166.70	163.00
May	163.00	162.05	165.00	162.00
Jul	162.75	161.80	0	0
Sep	161.00	160.45	162.00	161.25
Nov	154.25	152.10	0	0
Jan	153.25	152.10	153.00	153.00
Mar	153.25	152.10	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct.24	Oct.23	mnth ago	yr ago
1670.1	1661.9	1651.7	1728.3

DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct.23	Oct.22	mnth ago	yr ago
Spot	114.37	114.67	114.52	128.94
Futures	123.87	124.36	124.41	128.65

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Nov	548/2	550/4	552/4	547/0
Jan	560/4	562/2	564/0	559/2
Mar	570/4	573/2	574/4	570/0
May	580/0	583/2	584/0	579/6
Jul	587/4	590/6	591/0	587/0
Aug	589/0	591/6	590/0	588/4
Sep	585/0	586/6	585/0	583/0
Nov	585/0	588/0	589/0	584/4
Jan	597/0	600/2	0	0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Dec	19.60	19.61	19.74	19.47
Jan	19.70	19.76	19.90	19.65
Mar	20.05	20.09	20.20	19.95
May	20.35	20.45	20.52	20.25
Jul	20.60	20.69	20.80	20.50
Aug	20.75	20.85	20.85	20.65
Sep	20.90	21.00	21.05	20.80
Oct	21.00	21.05	21.00	20.80
Dec	21.20	21.30	21.20	21.20

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Dec	180.7	180.6	181.8	179.8
Jan	179.5	179.5	180.2	178.6
Mar	177.1	176.1	178.1	176.5
May	175.6	175.5	176.6	175.2
Jul	175.4	175.7	176.6	175.4
Aug	175.1	175.2	176.2	175.0
Sep	174.7	175.5	175.0	174.5
Oct	175.0	175.8	175.5	175.0
Dec	180.4	180.0	180.5	180.5

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Dec	253/4	252/6	253/6	251/6
Mar	263/2	262/6	264/0	261/6
May	269/2	268/6	270/0	267/6
Jul	273/2	272/4	274/0	271/4
Sep	263/0	262/2	263/0	261/4
Dec	258/2	257/4	258/4	257/0
Mar	266/4	265/2	266/4	265/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Dec	367/4	365/6	368/4	363/0
Mar	369/2	369/2	369/4	365/2
May	343/0	343/4	344/0	341/0
Jul	321/2	320/0	322/0	318/4
Sep	325/4	324/6	326/2	322/4
Dec	335/4	334/6	336/0	334/0
Mar	340/0	340/0	341/0	340/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	70.87	72.37	72.40	71.87
Dec	74.92	75.07	75.20	74.67
Feb	74.77	74.85	74.95	74.47
Apr	75.30	75.45	75.45	75.17
Jun	72.22	72.40	72.40	72.15
Aug	70.22	70.50	70.52	70.20
Oct	71.05	71.55	71.20	71.05

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Oct	42.75	42.35	43.40	41.40
Dec	43.20	42.72	43.70	42.40
Feb	42.40	42.30	42.42	41.72
Apr	41.00	40.75	41.05	40.50
Jun	45.90	45.75	46.00	45.45
Jul	45.00	45.05	45.10	45.10
Aug	43.70	43.80	44.00	43.60
Oct	44.00	44.40	44.20	44.00

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Feb	42.00	42.40	42.90	41.70
Mar	41.67	41.75	42.40	41.65
May	43.22	43.45	43.70	42.65
Jul	44.40	44.85	44.80	43.95
Aug	43.55	43.90	43.80	43.45

LONDON STOCK EXCHANGE

Selling drives equities to July low

By Terry Byland, UK Stock Market Editor

ALL THE bad news suddenly caught up with the UK stock market yesterday afternoon and the FT-SE index plunged by 32.8 points, putting the 2,500 mark in danger as it tested support levels last seen in mid-July. Market confidence, still sensitive to memories of the massive shakeout suffered in October 1987, was shaken but traders stressed that there was little selling of equities in yesterday's late setback, which was led from the stock index futures sector.

After moving irregularly for most of the day, the Footsie index was only about nine points off at mid-session. The final drop was sparked off by a fall of 24 Dow points in early trading on Wall Street and by widespread reports in London that a British government source had spoken bearishly in the US on prospects for UK base rates.

Account Dealing Dates		
First Dealings:		
Oct 14	Oct 28	Nov 11
Option Declarations:		
Oct 24	Nov 7	Nov 21
Last Dealings:		
Oct 25	Nov 8	Nov 22
Account Day:		
Nov 4	Nov 18	Dec 2

New-time dealings may take place from 9.00 am two business days earlier.

Share prices fell heavily in late dealings, and the FT-SE index finished 32.8 down at 2,528.3. Last night's closing level left the Footsie poised nervously above the 2,497.4 close recorded on July 12.

Initially the Footsie edged up 8.6 to 2,569.7 but then faltered, leaving a 31-point net fall since last Friday. Share prices then turned sharply downwards, triggering selling by trading houses which sought to cut their losses on what is likely to prove an unsuccessful two-week trading account in equities. Dealers had little incentive to let positions run.

The late setback had many of the characteristics of a bear raid on a stock market which has grown increasingly nervous this week as Wall Street has fallen and investors have become increasingly wary of prospects for economic recovery in the UK. Several leading shares were hit by sudden selling pressures, notably ICI, which tumbled heavily although there was no justification in market hours for suggestions that the Hanson camp might want to sell its stake.

Leading oil shares reacted badly to the weakness on Wall Street. Blue chip stocks such as BP and Shell fell sharply while, among the more speculative issues, Lasmo relinquished some of its recent speculative advance. Reuters was another US-influenced stock to give ground in late trading.

The picture was no better in the building and construction sector, where interest rate sensitivity continued to unsettle share prices. In the brewing sector, Allied-Lyons gave back some of the gain which has followed this week's news of a UK link-up with Carlsberg, of Denmark, while concern over the implications of the deal for competition in the UK market hurt other brewing shares.

The exception to the widespread setback came in some high street retailing issues, where Marks and Spencer was notably firm after reports of bullish comments from UK based investment houses.

Traders took a cautious attitude towards yesterday's shakeout. Seaq volume of 595.5m shares, against 407.3m on Wednesday, was above recent levels; but the Seaq total takes in intra-market business, which was believed to be relatively high yesterday as trading houses operated at least two trading programmes. These may have distorted the market ahead of today's termination of the equity trading account, as well as reflecting exposure in an active stock index futures market. London will be poised nervously overnight for the news from Wall Street.

FINANCIAL TIMES STOCK INDICES

	Oct 24	Oct 23	Oct 22	Oct 21	Oct 18	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.38	86.36	86.22	86.26	86.48	78.98	87.84 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.21	98.30	98.27	98.38	98.59	88.78	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ♦	1936.6	1966.1	1963.4	1978.2	1995.5	1598.4	2108.3 (2/9)	1608.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	173.4	178.0	174.8	170.2	165.9	170.6	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2528.3	2561.1	2559.5	2575.7	2601.1	2063.1	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1146.36	1157.83	1155.88	1158.75	1165.60	-	1198.60 (3/9)	936.62 (16/1)	1198.60 (3/9/91)	936.62 (16/1/91)
♦Ord. Div. Yield	4.78	4.71	4.72	4.70	4.66	5.98				
♦Earning Yld %(full)	7.57	7.46	7.48	7.44	7.37	12.46				
♦P/E Ratio(Net)(∗)	16.50	16.75	16.70	16.80	16.95	9.73				
SEAQ Bargains 4.45pm	25,809	22,365	22,672	23,651	23,449	19,282				
Equity Turnover(£m)†	-	744.07	784.05	886.18	970.94	652.76				
Equity Bargains†	-	19,824	22,121	23,228	23,315	17,505				
Shares Traded (mil)†	-	327.0	399.3	346.9	411.6	318.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Base 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ∗ = 15.66

Ordinary Share Index, Hourly changes — Day's High 1975.0 — Day's Low 1933.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1966.5	1972.6	1973.9	1971.5	1962.4	1959.0	1957.0	1952.1	1944.8

FT-SE 100, Hourly changes — Day's High 2569.7 — Day's Low 2524.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2560.5	2567.5	2569.9	2567.1	2558.4	2552.2	2550.7	2546.6	2527.5

FT-SE Eurotrack 200, Hourly changes — Day's High 1161.16 — Day's Low 1146.36

Open	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1159.47	1158.39	1155.90	1154.76	1154.19	1152.21	1149.27

GILT EDGED ACTIVITY

Indices*	Oct 23	Oct 22
Gilt Edged Bargains	92.3	83.2
5 - Day average	75.5	73.0

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Insurance sector trembles

ROYAL Insurance was the main casualty in an insurance sector given an uncomfortable jolt by bearish recommendations from two leading sector analysts.

Both Mr Youssef Ziai at UBS Phillips & Drew and Mr Chris Fountain at Morgan Stanley, the US investment bank, published circulars detailing expected cuts in Royal Insurance's dividend. Mr Fountain said Royal's share price "does not fully reflect the probability of a cut in the dividend".

Mr Ziai said UBS expected house repossessions in the UK, which totalled 44,000 last year, to increase to 85,000 this year and to 115,000 next year, therefore increasing the losses on the insurance companies' mortgage indemnity businesses. UBS cut their profits expectations for all the insurance groups involved in mortgage indemnity.

Mr Ziai puts losses from this area at £2.9bn across the whole of the industry over a two-year period, with Royal and Sun Alliance bearing £500m each. He estimated that Eagle Star would incur losses of £360m and Legal & General around £200m. He said Royal's solvency margin "will be critically weak at 22 per cent by 1993" and that "even a cut in the dividend is unlikely to save the day: a rights issue seems inevitable".

Mr Ziai lowered his current year dividend forecast by 35 per cent to 17p. The UBS analyst labelled Royal a straight sell, and said he expected short term weakness in Sun Alliance. Royal shares dropped 17 to 306p, the lowest for at least five years, while Sun Alliance dipped 7 to 326p. L & G lost 8 to 387p.

ICI setback

ICI fell steeply in sometimes panicky trading amid widespread talk that Hanson was trying to sell its 2.8 per cent stake in the company. There was no statement from either side yesterday; sources close to Hanson said senior executives had called a meeting late in the day to discuss the implications of the weakening in the ICI share price.

Traders and analysts eventually dismissed the developments as probably a bear raid, in which negative stories are spread about a company by someone who has already sold the shares; however, traders remained apprehensive.

ICI bottomed at 1237p, some 50 below the previous day's close. It recovered slightly in late dealings, and closed 19 off at 1248p. Turnover was an above average 2m shares.

Sentiment was also hurt by suggestions that BZW had lowered its profits forecasts for the company. BZW denied this, saying it had put out a pre-results note yesterday morning but that no forecast had been reduced.

Caird stake sold

Severn Trent Water struggled to sell its 29.9 per cent stake in waste management group Caird in yesterday's tumbling market. Most of the shares were eventually placed with institutions by Smith New Court and County NatWest, who split the deal evenly between them.

The two brokers paid Severn 93p a share for 13.2m of the 16.8m shares that made up the stake. As the market fell, however, the last tranche was sold to the brokers at only 89p.

Caird dropped 24 to 97p, with Smith and County bidding 95p at the close of trade. The other three securities houses that make a market in Caird were bidding 93p at the close.

The sale of the stake had been postponed from the previous day. The suspension of shares in Attwoods, another waste management company, on Wednesday had prompted Severn's advisers to recommend the delay.

Caird has been strong in recent weeks, peaking at 127p last Friday, amid speculation that Severn might bid for the company. The 12-month moratorium on a Severn bid, arising out of a failed £1 a share takeover attempt in 1990, expired yesterday.

Severn Trent ended just 2 ahead at 321p, having peaked at 335p during the session.

Oil shares took a breather in the opposite direction, stimulated by strong buying from Smith New Court. Mr Alan Sinclair at Smith said British Gas had fallen "too far, too fast; despite the regulatory problems the shares, with a prospective yield of around 8 per cent, offer good long-term value".

Bank shares posted widespread losses but these were cushioned by news that Sir Gordon Borrie, director general at the Office of Fair Trading, had ruled against taking action against the banks following claims of overcharging.

Also helping to prop up the sector was a bullish note by Robert Fleming Securities pointing out that bank ratings are anticipating the beginnings of profits recovery next year, but not beyond; "we expect the sector to resume its outperformance during the fourth quarter of 1991 and first quarter of 1992". Fleming's preferences are Lloyds, Bank of Scotland and Abbey National.

NatWest, 9 off at 317p, were affected by switching into Barclays, 4 cheaper at 419p.

First National Finance, badly mauled last month by expectations of a loss for the current year, dropped 8 to 54p.

S.G. Warburg became the latest securities house to recommend Marks and Spencer ahead of results due next week. The stock was one of only nine in the Footsie to show a gain on the day, closing 7 better at 288p.

Stores generally had a good day, as news filtered in from industry sources suggesting that October had seen an unexpected improvement in retail business. Ratners added 3 at 76p, W.H. Smith rose 7 to 455p and GUS gained 9 to 1354p.

By far the heaviest activity in the food manufacturing/retailing areas was in Asda, where the old shares held at 40½p on turnover of 9m and the new nil-paid eased ½ to 5¼p with 45m traded.

Northern Foods dropped 14 to 548p, with turnover a thin 855,000 shares, after suggestions that the group might be interested in Gerard Metropolitan's Express Dairy subsidiary.

Berkeley Group, the housebuilders, declined 10 to 288p after a line of 2.25m shares was crossed at 285p.

Advertising group WPP recovered 4 to 54p as the company said that in the first nine months of the year it had added net new business of more than $1.2bn (£700m) in capitalised billings, and traded profitably within its banking covenants. The statement offset confirmation that the company was cancelling the dividend on its convertible preference shares.

Specialist publisher Haynes rose 7 to 170p after a positive chairman's statement at the agm. Mr John Haynes said he expected first-half profits "to be at least £1m".

The widely predicted and deeply discounted rights issue left waste disposal group Attwoods 46 lower at 129p. The company is raising £80m via a nine-for-25 offer at £1 a share.

Property group Greycoat fell another 18 to 121p as the market considered the company's decision to withdraw from plans to refinance one of its central London properties. The two-day drop is 32.

Eurotherm International, the electronic equipment group, continued to respond to the recent strong recommendation from UBS Phillips & Drew's Small to Medium Companies team, the shares adding 10 at 316p. Since the beginning of the week the stock has climbed 23.

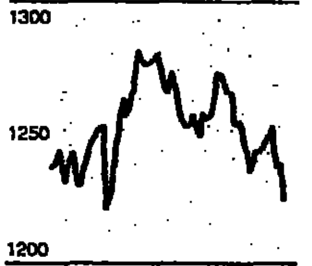
British Aerospace eased 4 to 376p as doubts about the success of the rights issue continued. One analyst said: "I will be very surprised to see 40 per cent of the shares taken up."

Eurotunnel fell 24 to 406p on press comment about the company's dispute with TML, the Channel tunnel constructor.

MARKET REPORTERS:
Daniel Green,
Joel Kibazo, Steve Thompson.

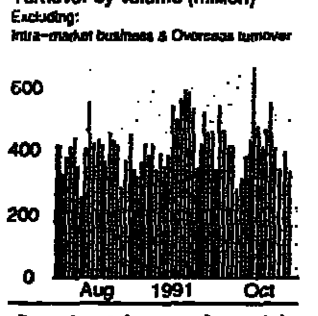
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 28.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (54). BRITISH FUNDS (1) Treas. 2pc IL 1994, AMERICANS (3) [illegible], BANKS (3) [illegible], BREWERS (3) [illegible], BUILDINGS (1) [illegible], CHEMICALS (2) [illegible], STORES (3) [illegible], ELECTRICALS (3) [illegible], ENGINEERING (4) BM, Bullough, Chemring, Johnson & Firth, FOODS (1) Sims, INDUSTRIALS (13) Airsprung Furn., Alumasc, Betterware Cons. Prods., Bridport-Gundry, CRT, Cornwell Parker A, Hasmocell, Hays, ML Labs, Siglaw, Silentnight, Smith & Nephew, Unilever, INSURANCE (1) Lloyd Thompson, LEISURE (1) Campari, NEWSPAPERS (1) News Intl. Spec. Div., PROPERTY (1) Land Lease, SHOES (1) FII, TEXTILES (1) Hicking Pentecost, TRANSPORT (2) Dawsongroup, Tibbett & Britten, TRUSTS (3) Baillie Gifford Japan, EFM Inc. Zero Div. Pf., Grahams Rintoul, OILS (2) Nth. Sea Assets, Total B, PLANTATIONS (1) Bertam, MINES (3) [illegible].

NEW LOWS (49). CANADIANS (1) [illegible], BUILDINGS (5) [illegible], STORES (3) [illegible], ELECTRICALS (3) [illegible], ENGINEERING (3) [illegible], Low (W), RHM, INDUSTRIALS (6) Antares, ISA Intl., Melville, Shanks & McEwan, Willaire, INSURANCE (2) GRE, Royal Insce., LEISURE (2) TVS Ent., Wembley, MOTORS (1) Airflow Streamlines, NEWSPAPERS (1) Mirror Grp. News, PAPERS (1) Gibbon Lyons, PROPERTY (8) Bredero, Cap. & Counties 5¼pc Pf., Five Oaks, Greycoat, Hammerson A, London Securities, SHOES (1) Stylo, TEXTILES (1) Cupid, TRANSPORT (2) All Nippon Airways, Davies & Newman, TRUSTS (8) English & Caledonian, Foreign & Colonial Enterprise, French Prop., Halma, Stratagem, Topdanmark, OILS (1) Sceptre, MINES (2) Western & Pacific, Young Grp.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Comm Union	523	464	-10
Lonrho	1,300	249	-6
Seeboard	413	398	-5
Yorkshire Water	471	358	+3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

WEAKNESS in the short-term interest rate futures market spilled over into equity futures as worries grew that there might be no early reduction in UK interest rates.

Selling activity early in the day gathered momentum in the afternoon session following a poor Wall Street opening. A premium of 44 on the December futures contract on the FT-SE Index in the morning had fallen to 28 by mid-afternoon. The Liffe market, however, came off the bottom to end at a premium of 38.

The December Footsie futures contract finished around 3 points above its estimated fair value of about 35. Turnover reached 6,049 lots, well above average levels.

In the traded options market, business was reported to have been particularly heavy in the last half-hour, with a certain amount of closing of positions ahead of today's finish of the equity trading account. Asda was the busiest option with a day's total of 6,500 lots dealt. January calls were the busiest series, but were closely followed by January puts. April 1992 calls were also reported to have attracted significant interest in an active sector. Sears was the next busiest trade with some 4,914 contracts dealt. Turnover reached 36,595.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
104¾	94¾	Treas 10pc 2003	101¾	-⅛	9.88	9.81
111	102	Treas. 11½pc 2001-04	108⅝xd	-⅛	10.58	10.05
62⅞	53⅞	Funding 3½pc '99-04	60⅛	-⅛	5.82	8.75
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Over Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Undated

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked

1991 High	1991 Low	Stock	Price £	+ or -	(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
101¼	95¼	Conversion 10pc 1996	100¼xd		9.93	[illegible]
101¼	97¼	Do. 10pc 1996 B	100¼xd		10.11	[illegible]
114¼	108¼	Treas 13¼pc 1997‡‡	112¾	+⅛	11.74	[illegible]
103¼	97¼	Exch 10½pc 1997	102¼	+⅛	10.24	[illegible]
96¼	89¼	Treas 8¾pc 1997‡‡	95¼	-⅛	9.17	[illegible]
123¼	117	Exch 15pc 1997	121¼xd	-⅛	12.37	[illegible]
100¼	93¼	Exch. 9¾pc 1998	99¼	-⅛	9.82	[illegible]
88¼	80¾	Treas 6¾pc 1995-98‡‡	87¼xd	+⅛	7.71	[illegible]
128¾	121¼	Treas. 15½pc '98‡‡	126¾	-⅛	12.24	[illegible]
111¼	104¼	Exch. 12pc 1998	109¼xd	-⅛	10.92	[illegible]
100¼	92¼	Treas 9½pc 1999‡‡	98¼	-⅛	9.63	[illegible]
113¾	105¼	Exch. 12¼pc 1999	111¼	-⅛	10.99	[illegible]
104¼	97¼	Treas. 10½pc 1999	103¼xd	-⅛	10.18	[illegible]
103¼	95¼	Conversion 10¼pc 1999	101¼xd	-⅛	10.08	[illegible]
97¼	89¾	Conversion 9pc 2000‡‡	95¼	-⅛	9.39	[illegible]
118¼	110½	Treas. 13pc 2000	116¼	-⅛	11.15	[illegible]
103¼	94¼	Treas 10pc 2001	100¼	-⅛	9.91	[illegible]
119¼	113¼	Treas. 14pc '98-01	118¼xd		11.85	[illegible]
101¼	92¼	Treas 9¾pc 2002	99¼	-⅛	9.81	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1991: 130.9 and for September 1991: [illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
107⅞	95⅞	African Dv Bk 11¼ Ln 2010	104¼	-⅛	10.61	10.51
102⅝	91⅞	Asian Dev Bk 10¼pcLn2009	99¾	-⅛	10.28	10.27
116¼	105¼	Int-Am Dev Bk 12½pc 2003	113¾	-⅛	11.03	10.43
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	53	[illegible]	5.66	9.90

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

BOC head to take high position at GrandMet

■ Mr Richard Giordano (*pictured*), currently chairman of BOC Group, is to replace Sir John Harvey-Jones as non-executive deputy chairman of GRAND METROPOLITAN, the large food, drinks and retailing group.

The move is necessitated by pressure of other involvements upon Sir John, but he will continue as a GrandMet non-executive director, alongside non-executive directors Sir Colin Marshall, who is deputy chairman and chief executive of British Airways, and Mr David Simon, deputy chairman and chief operating officer of British Petroleum.

Sir John (chairman of Imperial Chemical Industries from 1982 to 1987) has been on GrandMet's board since 1983 and has been deputy chairman since Sir Allen Sheppard, the group's chairman and chief executive, assumed the post of chairman in July 1987.

■ At the London branch of BANQUE INDOSUEZ, Mr Jean-Claude Bergadaa has been made general manager. He replaces Mr Jean-Jacques Picard, who returns to the bank's Paris headquarters to assume the position of head of European banking operations. Mr Bergadaa had previously worked with B.N.P. in New York.

■ Lord Varley, former Labour MP and minister and, for five years until 1989, chairman and chief executive of Coalite Group, has been appointed a vice-president of the INSTITUTION OF INDUSTRIAL MANAGERS, the UK's leading competency based professional management development and training organisation.

As Eric Varley, he served as MP for Chesterfield from 1964-84 and his last ministerial position was Secretary of State for Industry from 1975-79.

■ Mr Steve Matheson, director general of the board of Inland Revenue, has been elected president of the BRITISH COMPUTER SOCIETY, the Chartered body for all Information Technology professionals. He succeeds Mr Alan Rousell, who has completed his one year term of office.

Mr Matheson, apart from holding the post of deputy president for the past year, has also been chairman of the finance and general purposes committee. Mr Roger Johnson, senior lecturer at Birkbeck College, London, becomes deputy president.

■ Mr Andrew Green and Mr Charles Rowan have been elected to the board of AMALGAMATED METAL CORPORATION, a member of the German Preussag group.

Mr Green is director, legal and administration, and Mr Rowan director, financial control.

Mr Ernst Pieper, chairman of the executive board of Preussag AG, has retired from the AMC board.

■ At CASTLE COMMUNICATIONS, Mr Julian Paul, a non-executive director of the group since this April, has become deputy chairman. He will assist Castle in developing its banking and institutional relationships, as well as helping to formulate the group's future strategy.

Mr Paul was managing director of Guinness Mahon & Co, where his responsibilities included overseeing the bank's business with companies in the media and entertainment sector.

Mr Ian Holder, who came to Castle two years ago as financial controller, has been named finance director and company secretary. He succeeds Mr Cliff Dane, who has resigned his executive role in order to pursue other interests, but continues as a non-executive director.

■ TIPHOOK, a world leader in transport equipment rental, has appointed Mrs Sue Ville as director of corporate communications. Mrs Ville will have responsibility for the group's investor relations, media relations and government relations activities worldwide. She was previously with Inchcape.

■ Mr Ian Fraser has joined RELIANCE SECURITY GROUP as managing director of Reliance Security Services, the group's principal operating company, and specialist security management and manpower services provider.

He takes over from Mr Peter Paice, group managing director and also recently appointed executive chairman of Reliance Electronics, the newly created subsidiary.

■ HANSARD FUND MANAGERS has been formed from the investment department of Liberty Life Assurance Co. Mr Chris Erwin has become managing director and Mr Stephen Parish deputy managing director. Ms Amanda Loram, Mr Philip Mottram and Ms Jill Potter have been made directors and Ms Kate Brierley-Downs fund manager.

IG INDEX
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What is the FT getting up to this Weekend?
Much the same as you, no doubt.
Robert Thomson finds a two-headed monster in Red China, one face scowling with Communist orthodoxy, the other, outside the capital, smirking with entrepreneurial spirit.
Barry Riley revisits some old City scandals.
Ken Gooding ponders on the tale of Kremlin Gold and asks: if they haven't got it, should investors be piling it up?
Naked in Thailand, Justin Wintle dances, sings and climbs into a pyramidical kettle.
Edmund Penning-Rowsell assesses the 1991 Bordeaux vintage and commiserates with the growers.
And so it goes on . . .
Weekend FT
Saturday October 26th

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20⅞	Abbott Laboratories1	33¼xd	....	$1.00	–	1.8
385p	225p	♦Allegheny & W 1c	234p	–8	30c	–	7.6
10¼	667p	Amdahl 5c	862pxd	–46	10c	–	0.7
42¼	25⅞	Amer Cyanamid $5	37¼	–⅛	$1.50	–	2.4
17⅝	9⅛	Amer Express 60c	12xd	....	$1.00	–	5.0
24½	15¼	American T & T $1	22⅜xd	+⅛	$1.32	–	3.5
38⅞	32½	Ameritech $1	35¼	+⅛	$3.40	–	5.7
26⅝	12⅞	BankAmerica $1 &	23⅝xd	–⅞	$1.20	–	3.0
37⅝	20⅞	Bankers N.Y. $1	37½xd	+⅛	$1.52	–	7.7
30½	24¼	Bell Atlantic $1	26xd	–⅛	$2.52	–	5.7
31¼	25	BellSouth Corp	27⅞	–⅛	$2.76	–	5.9
11¼	6⅞	♦Bethlehem Steel $8	8⅞xd	....	40c	–	2.7
1839p	1046p	Bowater Inc	1345p	–10	$1.20	–	5.3
54⅞	37⅞	CPC Intal 25c	47¼xd	–⅞	$2.00	–	2.5
930p	420p	California Engy	870p	....	–	–	–
50	38¼	Campbell Soup 15c	44½xd	–⅛	$1.16	–	1.5
12¼	5⅛	Chase Manhattan $12½	11¼xd	–⅛	$1.20	–	6.4
9⅞	5½	Chrysler $6¼	6⅞xd	....	60c	–	5.4
10⅛	5⅞	Citicorp $1	6¼xd	....	–	–	–
26⅛	21⅛	Colgate-Palmolive $1	23⅝xd	–⅛	$1.06	–	2.7
928p	438p	Cont'l Bank Corp $4	614p	–16	60c	–	5.8
21⅝	13⅞	Dana Corp. $1	16⅞xd	–½	$1.60	–	5.6
1257p	203p	Data General	1235p	+63	–	–	–
24⅞	12⅞	Dial Crop $1.5	24½xd	+⅞	$1.40	–	3.4
29⅞	20¼	Dun & Bradstreet $1	27⅞	–½	$2.16	–	4.6
40	24¼	Eaton Corpn. 50c	37⅛	....	$2.20	–	–
8½	5⅛	Echlin Inc	7⅛xd	....	70c	–	5.8
20⅛	14⅛	FPL Group 1c	19⅞xd	+⅛	$2.40	–	7.2
30⅞	17⅞	Fluor Corp 62½pc	26½xd	–⅞	32c	–	0.7
23¼	13⅛	Ford Motor $1	16⅛	....	$1.60	–	3.6
46⅞	28⅞	Gen Elect. 63c	41⅝xd	....	$2.04	–	2.9
566p	270p	♦General Host Corp $1	453p	–1	34c	–	4.4
45⅛	20⅞	Gillette $1	24½xd	–⅛	62c	–	1.5
19½	794p	Hasbro Inc 50c	19½	+2	24c	–	0.7
38½	21¼	Honeywell $1½	31⅛xd	+⅛	$1.50	–	2.8
23¼	17⅞	Houston Inds $	22⅝	+⅛	$2.96	–	7.7
72⅞	55⅞	IBM Corpn $1¼	57⅝xd	–⅛	$4.84	–	5.0
32½	18⅞	Ingersoll-Rand $2	29xd	+⅛	$1.32	–	2.7

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	115.7	115.7xd	122.7	+0.2	9.37
High Inc Equity	6	132.6	136.3xd	144.9	+0.3	5.87
Worldwide Bond	6	213.7	213.7	226.7	-0.5	6.62
Capital Growth						
American Growth	6	205.3	205.3	219.3	-0.7	1.02
Asian Pacific	6	119.4	121.9	129.6	-0.5	1.21
Assets & Earnings	6	183.8	187.6	199.5	+0.6	3.01
Capital Reserve Acc	0	109.7	109.7	109.7	....	6.91
Capital Reserve Inc	0	86.77	86.77	86.77	....	6.91
Commodity & Energy	6	77.27	77.27xd	82.64	-0.15	1.65
1992 Enterprise	6	65.49	65.49	70.04	+0.04	2.94
Euro Capital Acc	6	86.61	86.61	92.63	-0.22	1.12
Euro Capital Inc	6	82.74	82.74	88.49	-0.22	1.13
General	6	174.7	174.7	186.8	+0.8	2.68
Japan	6	105.5	106.7xd	113.5	+0.5	-
Mastertrust	6	92.19	92.19	98.59	+0.08	2.60
UK Growth Acc	6	173.3	173.3	185.3	-0.2	2.15
UK Growth Dist	6	110.2	110.2xd	117.8	-0.1	2.19
US Emerging Cos	6	74.80	76.27	81.13	-0.56	-
Income & Growth	6	306.6	306.6	327.9	+0.7	4.27
Ethical	6	54.02	54.02	57.77	+0.05	2.70
International	6	63.41	64.28	68.38	-0.18	1.29
Dividend & Growth	6	49.68	51.01	54.26	+0.12	5.53
Global Gwth & Sec	6	52.70	53.00	56.38	+0.09	3.09

Aberforth Unit Trust Managers Ltd (1600)F

[illegible]

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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Sovereign Unit Tst Mngrs Ltd (1000)F

Standard Chartered Equitor (1200)F

Standard Life Tst Mgmt Ltd (0629)H

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Funds in Court*

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Morgan Grenfell Unit Trust Managers Ltd

Allied Dunbar Assurance Plc

Century Life Plc

Eagle Star Life Assurance Co Ltd

Guardian Royal Exchange

Legal & General – Contd.

Manulife Group – Contd.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London WC1R 4UJ 071-430 2343

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	107 7	113 4	-	-
Pension Managed Fd	106 0	111 6	-	-
Life Deposit Fd	110 1	115 9	-	-
Pension Deposit Fd	116 6	122 7	-	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pl, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	168 5	177 4	-	-
UK Equity	179 1	188 6	-	-
Overseas Equity	134 8	141 9	-	-
Fixed Interest	153 3	161 4	-	-
Property	132 8	139 8	-	-
Index Linked	151 7	159 7	-	-
Deposit	162 9	171 5	-	-
With Profits (B)	133 3	140 3	-	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	356 6	375 4	-0 6	-
UK Equity	448 6	472 3	-0 9	-
Overseas Eq	345 9	364 2	-1 0	-
American	294 0	309 5	-0 4	-
Far East	381 9	402 1	+0 6	-
Property	193 7	203 9	-	-
Fixed Int	270 1	284 4	-	-
Indexed Gilt	161 5	170 0	+0 1	-
Deposit	186 7	196 6	-	-
With Profit	104 1	109 6	-	-
Pension Fund (Accum Units)				
Managed	514 4	541 5	-0 5	-
UK Equity	608 1	640 1	-0 8	-
Overseas Eq	585 9	616 8	-0 5	-

Providence Capitol Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	229 6	241 2	+0 4	-
UK Fixed Int Acc	186 2	196 5	+0 1	-
Intl Equities Acc	176 3	186 0	+0 6	-
UK Managed Acc	176 2	185 8	+0 2	-
Property Acc	226 4	233 9	-	-
Money Acc	132 8	140 1	-	-
Special Market Acc	153 4	161 9	+2 0	-
Japan Equity Acc	107 6	113 6	+0 4	-
North American Acc	104 9	110 7	-0 3	-
Pacific Acc	95 5	100 8	-0 1	-
Technology Acc	125 7	132 7	+0 8	-
Nat Resources Acc	63 2	67 4	-0 5	-
European Acc	100 6	106 2	-0 6	-
Residential Prop Acc	94 6	99 8	-	-
Swiss Equities Acc	33 6	35 5	-	-
Hong Kong Acc	68 0	71 8	-0 6	-
UK High Inc Eq Acc	74 4	78 5	-	-
Int Fixed Interest Acc	60 1	63 5	-	-
Int Managed Acc	56 9	60 0	+0 1	-
HIP Managed Acc	118 6	125 1	+0 4	-
HIP Managed II Acc	104 0	109 7	+0 6	-
HIP Managed III Acc	111 1	117 1	+0 5	-
Total Investment Bond				
UK Equity Initial		155 1	+0 2	-
UK Fixed Int Initial		126 6	-	-
Intl Equities Initial		118 9	+0 4	-
UK Managed Initial		119 8	+0 1	-
Property Initial		154 9	-	-
Money Initial		90 7	-	-
Special Market Initial		118 9	+1 5	-
Japan Equity Initial		83 5	+0 4	-
North American Initial		81 3	-0 2	-
Pacific Initial		74 0	-0 1	-
Technology Initial		97 4	+0 6	-
Nat Resources Initial		45 1	-0 4	-
European Initial		90 0	-0 6	-
Residential Prop Init		90 1	-	-
Swiss Equities Initial		32 0	-	-
Hong Kong Init		64 9	-0 5	-
UK High Inc Eq Init		71 6	+0 1	-

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Economic data weakens dollar

THE DOLLAR fell yesterday after an unexpectedly large decline in September durable goods orders and an increase in weekly unemployment fuelled speculation about a reduction in US interest rates.

The dollar had drifted higher earlier in the week but after the data it slipped back below DM1.70. September durable goods orders fell by 3.2 per cent compared with a 4.1 per cent decline in August and expectations of a 0.5 per cent increase.

Non defence capital orders, a number which the Federal Reserve is believed to watch closely, fell 0.4 per cent after the large 15.6 per cent decline the previous month.

Also worrying the markets *was a rise of 29,000 in new* applications for unemployment insurance benefits for the week ending October 12 to 452,000. One analyst said the jobless figures revealed "complete stagnation in the US labour market."

The dollar retreated as short-term and long-term interest rates fell and investors sold stocks after the figures were released.

But the Federal Reserve made no move in its daily money market operations to lower interest rates. Most analysts believe the Fed will wait for the release of third quarter gross national product figures on Tuesday and the October employment report on Friday before deciding whether to ease policy.

The next meeting of the policy setting Federal Open Market Committee is on November 5.

The dollar closed lower at DM1.6975 from DM1.7045; to Y131.10 from Y131.60; and to FFr5.7950 from FFr5.8150.

The Swiss franc was firm after Mr Markus Lusser, president of the Swiss National Bank, *said that inflation* would fall below 4 per cent by the end of the year. Mr Lusser's strong words on combatting inflation and stronger money market rates helped the franc. The dollar fell to SFr1.4875 from *SFr1.4595*.

The Canadian dollar's strength forced the Bank of Canada to intervene twice in the markets. On the first occasion, the Bank of England was said to have acted on its behalf. The second time it moved alone. Speculation that a bond conversion would trigger a large move into the Canadian dollar from the US dollar was behind the day's events.

In the ERM, currency rates were broadly stable after the Bundesbank left interest rates unchanged at its policy setting council meeting.

However, a larger-than-expected 4.6 per cent rise in the M3 measure of the German money supply meant there was *still discussion of higher German* interest rates.

Sterling was steady although reports that a UK Treasury minister had repeated cautious words on the next move in interest rates provided some *support*.

The pound closed unchanged at DM2.9075; at Y224.50; and moved higher to $1.7125 from $1.7055; to SFr2.5475 from SFr2.5400; and to FFr9.9250 from FFr9.9175.

£ IN NEW YORK

Oct. 24	Close	Previous Close
£ Spot	1.7110-1.7120	1.6985-1.6995
1 month	0.79-0.78pm	0.76-0.75pm
3 months	2.16-2.13pm	2.14-2.12pm
12 months	7.20-7.13pm	7.14-7.07pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct. 24	Previous
8.30 am	90.3	90.2
9.00 am	90.3	90.2
10.00 am	90.3	90.2
11.00 am	90.3	90.2
Noon	90.3	90.2
1.00 pm	90.3	90.2
2.00 pm	90.3	90.2
3.00 pm	90.3	90.2
4.00 pm	90.3	90.3

CURRENCY MOVEMENTS

Oct. 24	Bank of England Index	Morgan Guaranty Changes %
Sterling	90.3	-21.1
U.S. Dollar	64.6	-14.2
Canadian Dollar	107.2	+4.4
Austrian Schilling	109.0	+11.5
Belgian Franc	110.7	+2.4
Danish Krone	107.9	-2.7
D-Mark	117.0	+23.6
Swiss Franc	109.0	+17.4
Guilder	113.1	-15.5
French Franc	101.8	-13.1
Lira	98.4	-19.9
Yen	142.4	+75.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct 23

CURRENCY RATES

Oct. 24	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.794561	0.704050
U.S. Dollar	5.00	1.35576	1.20709
Canadian $	8.46	1.52088	1.35786
Austrian Sch.	7.50	N/A	14.4030
Belgian Franc	8.00	47.4736	42.1366
Danish Krone	9.50	8.94327	7.93121
D-Mark	7.50	2.31279	2.04699
Dutch Guilder	8.00	2.60780	2.30663
French Franc	10½	7.89120	6.98545
Italian Lira	11½	1729.48	1530.29
Japanese Yen	5½	178.079	158.250
Norwegian Krone	10	9.05173	8.02114
Spanish Peseta	12.5	145.622	128.907
Swedish Krona	10.00	8.41927	7.45622
Swiss Franc	7.00	2.01940	1.79253
Greek Drach.	19	N/A	228.565
Irish Punt	-	N/A	0.765495

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculation. * All SDR rates are for Oct. 23

OTHER CURRENCIES

Oct. 24	£	$
Argentina	[illegible]	[illegible]
Australia	2.1775 - 2.1795	1.2715 - 1.2725
Brazil	[illegible]	[illegible]
Finland	7.0365 - 7.0575	4.1110 - 4.1140
Greece	[illegible]	[illegible]
Hong Kong	13.2755 - 13.2885	7.7550 - 7.7570
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	4.7045 - 4.7125	2.7465 - 2.7475
Mexico	[illegible]	[illegible]
N.Zealand	3.0730 - 3.0760	1.7940 - 1.7960
Saudi Ar.	6.3640 - 6.4405	3.7500 - 3.7510
Singapore	2.8990 - 2.9060	1.6905 - 1.6925
S.Af (Cm)	4.8705 - 4.8820	2.8435 - 2.8450
S.Af (Fn)	5.3180 - 5.4020	3.1055 - 3.1545
Taiwan	45.20 - 45.30	26.50 - 26.55
U.A.E.	6.2305 - 6.3075	3.6715 - 3.6735

† Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct. 24	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.907	-3.54	5.02	61
Belgian Franc	42.4032	42.1366	-0.63	1.95	35
Italian Lira	1538.24	1530.29	-0.52	1.84	30
D-Mark	2.05586	2.04699	-0.43	1.75	33
Dutch Guilder	2.31643	2.30663	-0.42	1.74	25
Irish Punt	0.767417	0.765495	-0.25	1.57	15
Sterling	0.696904	0.704050	1.03	0.28	-21
Danish Krone	7.84195	7.93121	1.14	0.17	-48
French Franc	6.89509	6.98545	1.31	0.00	-67

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Oct. 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7070 - 1.7160	1.7120 - 1.7130	0.80-0.78cpm	5.54	2.15-2.12pm	4.99
Canada	1.9225 - 1.9325	1.9225 - 1.9235	0.41-0.32cpm	2.28	1.14-1.02pm	2.25
Netherlands	3.2700 - 3.2825	3.2700 - 3.2800	1½-¼cpm	1.37	1½-1¼pm	1.22
Belgium	59.70 - 60.00	59.90 - 60.00	8-4cpm	1.20	22-17pm	1.30
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	2.9050 - 2.9125	2.9050 - 2.9100	¾-½cpm	2.58	2-1½pm	2.58
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	2.5400 - 2.5525	2.5425 - 2.5525	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	1.4165 - 1.4215	1.4185 - 1.4195	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.03-3.97cpm. 12 Month 7.30-7.20pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct. 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7070 - 1.7160	1.7120 - 1.7130	0.80-0.78cpm	5.54	2.15-2.12pm	4.99
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	1.2005 - 1.2080	1.2055 - 1.2065	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Oct 24	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 6¼-6⅛ per cent; three years 6⅝-6½ per cent; four years 7¼-7⅛ per cent; five years 7½-7⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct 24	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Ecu
£	1	1.712	2.907	224.5	9.925	2.547	3.275	2176	1.923	59.95	1.419
$	0.584	1	1.698	131.1	5.797	1.488	1.913	1271	1.123	35.02	0.829
DM	0.344	0.589	1	77.23	3.414	0.876	1.127	748.5	0.662	20.62	0.488
YEN	4.454	7.626	12.95	1000.	44.21	11.35	14.59	9693	8.566	267.0	6.321
F Fr.	1.008	1.725	2.929	226.2	10.	2.566	3.300	2192	1.938	60.40	1.430
S Fr.	0.393	0.672	1.141	88.14	3.897	1	1.286	854.3	0.755	23.54	0.557
H Fl.	0.305	0.523	0.888	68.55	3.031	0.778	1	664.4	0.587	18.31	0.433
Lira	0.460	0.787	1.336	103.2	4.561	1.170	1.505	1000.	0.884	27.55	0.652
C$	0.520	0.890	1.512	116.7	5.161	1.324	1.703	1132	1	31.18	0.738
B Fr.	1.668	2.856	4.849	374.5	16.56	4.249	5.463	3630	3.208	100	2.367
Ecu	0.705	1.206	2.049	158.2	6.994	1.795	2.308	1533	1.355	42.25	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

LIFFE EUROMARK OPTIONS DM1m points of 100%

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

US TREASURY BONDS 8% $100,000 32nds of 100%

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

9% NOTIONAL ECU BOND ECU 200,000 100ths of 100%

12% NOTIONAL ITALIAN GOVT. BOND (BTP) LIRA 200m 100ths of 100%

THREE MONTH STERLING £500,000 points of 100%

THREE MONTH EURODOLLAR $1m points of 100%

THREE MONTH EUROMARK DM1m points of 100%

THREE MONTH ECU ECU 1m points of 100%

THREE MONTH EURO SWISS FRANC SFr 1m points of 100%

FT-SE 100 INDEX £25 per full index point

FT-SE EUROTRACK 100 INDEX DM50 per full index point

	Close	High	Low	Prev.
Dec	1113.0			1112.0
Mar				

Estimated volume 0 (0)
Previous day's open int. 0 (327)

* Contracts traded on APT after trading hours

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) $1m points of 100%

BRITISH POUND (IMM) $ per £

SWISS FRANC (IMM) $ per SFr

JAPANESE YEN (IMM) $ per Y100

DEUTSCHE MARK (IMM) $ per DM

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

STANDARD & POORS 500 INDEX $500 times index

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price									
1.650	5.76	5.95	5.24	[illegible]	[illegible]	[illegible]	[illegible]	3.47	
1.675	3.59	5.95	[illegible]	5.27	[illegible]	[illegible]	[illegible]	4.69	
1.700	1.56	2.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.92	
1.725	0.92	1.66	2.20	[illegible]	[illegible]	[illegible]	[illegible]	7.49	
1.750	0.35	0.95	[illegible]	2.35	[illegible]	[illegible]	[illegible]	9.16	
1.775	0.07	0.50	0.29	[illegible]	[illegible]	[illegible]	[illegible]	11.05	

Previous day's open int.: Calls 253 035 Puts 329 778 (All currencies)
Previous day's volume: Calls 13 226 Puts 10 446 (All currencies)

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	Yield	Open int.
December	106.88	106.94	-0.06	[illegible]	106.72	8.93	109,968
March	106.92	106.98	-0.05	[illegible]	106.92	8.95	8,497
June	107.26	107.32	-0.08	[illegible]	107.10	8.89	5,173

Estimated volume 105,297 Total Open Interest 123,938

6 to 10 YEAR 10% ITALIAN LONG TERM CONTRACT (MATIF) FUTURES

	Open	Sett price	Change	High	Low	Yield	Open int.
December	87.14	87.20	-0.20	87.23	87.10	-	6 824
March	87.18	87.22	-0.17	87.18	87.18	-	300

Estimated volume 629 Total Open Interest 7,124

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Sett price	Change	High	Low	Yield	Open int.
December	90.77	90.79	-0.01	90.80	90.76	9.22	31,950
March	91.05	91.07	-0.01	91.08	91.05	8.94	23,107

Estimated volume 7,598 Total Open Interest 61,752

CAC-40 FUTURES (MATIF) Stock Index

	Open	Sett price	Change	High	Low	Yield	Open int.
October	1841.0	1853.0	-9.0	1845.0	1832.0	-	11,048
November	1854.0	1847.5	-8.5	1857.0	1844.5	-	7,482
December	1867.0	1861.5	-8.5	1872.0	1860.0	-	3,761
March	1909.0	1902.5	-9.5	1912.0	1900.0	-	1,151

Estimated volume 9,242 Total Open Interest 23,442

ECU BOND (MATIF)

	Open	Sett price	Change	High	Low	Yield	Open int.
December	106.20	106.00	-0.20	106.22	105.94	9.03	3,900
March	-	106.02	-0.20	-	-	9.03	270

Estimated volume 4,975 Total Open Interest 4,170

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	1.99	2.31	-	0.09	0.45	-
106	1.14	1.62	-	0.24	0.75	-
107	0.52	1.07	-	0.59	1.16	-
108	0.18	0.66	-	-	-	-
Open int	111,095	65,876	2,370	90,102	42,312	9,323

Estimated volume 46,983 Total Open Interest 321,076

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7125	1.7046	1.6912	1.6725	1.6400

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	● McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Lawrie	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Equatorial Bank plc	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Bank of Baroda	10.5	Financial & Gen. Bank	10.5	Provincial Bank PLC	10.5
Banco Bilbao Vizcaya	10.5	First National Bank Plc	10.5	[illegible]	10.5
Bank of Cyprus	10.5	● Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	Robert Fraser & Ptnrs	10.5	● Smith & Williamson Secs.	10.5
Bank of India	10.5	Girobank	10.5	Standard Chartered	10.5
Bank of Scotland	10.5	● Guinness Mahon	10.5	TSB	10.5
Banque Belge Ltd	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Barclays Bank	10.5	Hampshire Trust Plc	11.5	● United Bk of Kuwait	10.5
Beneficial Trust	11	Heritable & Gen Inv Bk	10.5	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	● Hill Samuel	10.5	Western Trust	10.5
● Brown Shipley	10.5	C. Hoare & Co	10.5	Westpac Bank Corp	10.5
CL Bank Nederland	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
Citibank NA	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant Banking & Securities Houses Association.	
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5				

MONEY MARKETS

Global rates easier

GLOBAL interest rates were mostly easier yesterday after the latest weekly US unemployment and durable goods figures led to renewed speculation that the Federal Reserve will soon ease monetary policy.

Short-term US rates led the way with December Eurodollar futures rising 6 points in London to close at 94.51. Treasury bonds were more hesitant as worries persisted about the implications of possible tax cuts for middle income American families.

Most money market economists do not expect an easing in short-term rates this week. Instead, they believe the Fed will wait for the third quarter gross national product figures and the October employment report next week.

There was no sign of any easing by the Fed in its daily reserve operations. Funds were drained from the banking system with overnight matched sales agreements.

Fed funds, the key short-term money market rate, were trading at 5⅛ per cent at the time of the Fed's operations, slightly below the Fed's presumed target of 5¼ per cent.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The weakness in US rates dragged rates lower in many other centres. December euro-mark futures in London rose from the day's lows to finish unchanged at 90.56. German call money slipped to 8.95-9.05 per cent from 9.05-9.10 per cent. Liquidity was in ample supply on the German money market, while at its regular council meeting the Bundesbank left interest rates unchanged.

But sterling money rates were firmer as more market participants began to say they did not think there would be a UK rate cut this year.

The December short sterling contract fell 6 points to 89.77 on a newswire report that a UK Treasury minister had repeated that the closeness of UK and German rates made further cuts more difficult.

Three months inter-bank money continued to inch higher, rising ⅛ to 10⅝-½ per cent. The Bank of England forecast a money market shortage of £80m but did not inject any liquidity.

Swiss interest rates were initially firmer after Mr Markus Lusser, president of the Swiss National Bank, said that inflation would fall below 4 per cent by the year end.

Annual inflation in September stood at 5.7 per cent and dealers believed this tough stance would mean no early reductions in Swiss interest rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct 24) 3 months US dollars		6 months US Dollars	
bid 5⅜	offer 5½	bid 5⅜	offer 5½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	8	One month	5.16	Three year	6.18
Broker loan rate	7	Two month	5.15	Four year	6.33
Fed. funds	5⅛	Three month	5.09	Five year	6.90
Fed. funds at intervention	5⅛	Six month	5.23	Seven year	7.32
		One year	5.30	10-year	7.63
		Two year	5.92	30-year	8.03

Oct. 24	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.95-9.05	9.00-9.15	9.05-9.20	9.20-9.35	9.25-9.40	9.25
Paris	8¾-8⅞	8⅞-9	8$\frac{15}{16}$-9$\frac{1}{16}$	9$\frac{1}{16}$-9$\frac{3}{16}$	9⅛-9¼	9.25
Zurich	7⅝-7⅞	8⅛-8⅜	-	8⅛-8⅜	-	-
Amsterdam	8.63-8.68	9.13-9.21	-	9.28-9.33	-	-
Tokyo	6$\frac{9}{16}$-6$\frac{11}{16}$	6$\frac{11}{16}$-6$\frac{13}{16}$	-	6⅝-6¾	-	-
Milan	10⅝-10⅞	11$\frac{3}{16}$-11$\frac{5}{16}$	-	11⅜-11½	-	-
Brussels	9⅛-9⅜	9$\frac{3}{16}$-9$\frac{5}{16}$	-	9¼-9⅜	-	-
Dublin	10-10¼	10$\frac{1}{16}$-10$\frac{3}{16}$	10⅛-10¼	10⅛-10¼	10⅛-10¼	-

LONDON MONEY RATES

Oct. 24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	-	-
Company Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	[illegible]	[illegible]	-	-
Bank Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Fine Trade Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Dollar CDs	-	-	5.27	5.40	5.44	5.57
SDR Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 10⅛ per cent; three months 9⅞ per cent; six months 9⅞ per cent. Bank Bills (sell); one-month 10⅛ per cent; three months 10 per cent; Treasury Bills; Average tender rate of discount 9.8627 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1991. Agreed rates for period Oct 26, 1991 to November 25, 1991, Scheme I: 11.70 p.c. Schemes II & III: 11.44 p.c. Reference rate for period August 31, 1991 to September 30, 1991, Scheme IV&V: 10.391 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days' notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9½ per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

BRISTOL & WEST
BUILDING SOCIETY

£100,000,000
Floating Rate Notes 1992

Notice is hereby given that the Rate of Interest for the three month Interest Period commencing on October 24, 1991 has been fixed at 10.6875% p.a. and that the interest payable on the relevant Interest Payment Date, January 24, 1992, in respect of Coupon No. 24 will be £134.32 per £5,000 Note.

NatWest Capital Markets Limited
Agent Bank

LEGAL NOTICE

MICROWARE GROUP PLC (IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48 (2) of the Insolvency Act 1986, that a Meeting of the Unsecured Creditors of the above-named company will be held at [illegible] on [illegible] 1991 at [illegible] a.m., for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it by or under the Act.

Creditors are only entitled to vote if:
a) they have delivered to us at the address shown above, no later than 12:00 hours on the business day before the meeting, written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and
b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.
Dated this [illegible] day of October 1991
N. Roddock and N.B. Cooper
Joint Administrative Receivers
Creditors may obtain a copy of the report, free of charge, on application to the Joint Administrative Receivers at [illegible], London EC1V [illegible].

MICROWARE COMPUTER SERVICES LIMITED (IN ADMINISTRATIVE RECEIVERSHIP AND LIQUIDATION)

NOTICE IS HEREBY GIVEN pursuant to Section 48 (2) of the Insolvency Act 1986, that a Meeting of the Unsecured Creditors of the above-named company will be held at [illegible] on the 20th day of November, 1991 at [illegible] a.m., for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it by or under the Act.

Creditors are only entitled to vote if:
a) they have delivered to us at the address shown above, no later than 12:00 hours on the business day before the meeting, written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and
b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.
Dated this [illegible] day of October 1991
N. Roddock and N.B. Cooper
Joint Administrative Receivers
Creditors may obtain a copy of the report, free of charge, on application to the Joint Administrative Receivers at [illegible], London EC1V [illegible].

MONEY MARKET FUNDS

Money Market Trust Funds

Gross | Net | CAR | Int Cr

CAF Money Management Co Ltd

Cater Allen

The COIF Charities Deposit Account

Cent. Bd. of Fin. of Church of England

Gartmore Money Management Ltd

Money Market Bank Accounts

AIB Bank High Interest Cheque Account

Aitken Hume Bank plc

Allied Trust Bank Ltd

American Express Bank Ltd

Bank of Ireland High Interest Cheque Acc

Bank of Scotland

Barclays Select

Barclays Prime Account H.I.C.A.

Benchmark Bank PLC Premier Account

Brown Shipley & Co Ltd

Caledonian Bank Plc

Cater Allen Ltd

Charterhouse Bank Limited

Clydesdale Bank PLC

Co-operative Bank

Co-operative Bank - Cont.

Coutts & Co

Dartington & Co Ltd Investment HICA

Financial & General Bank plc

Gartmore Money Management Ltd

Girobank plc High Interest Cheque Acc

Halifax Bldg Soc Asset Reserve Cheque Acc

Julian Hodge Bank Ltd

Humberclyde Finance Group

Kleinwort Benson Ltd

Lloyds Bank - Investment Account

Midland Bank plc

NatWest Crown Reserve Account

Provincial Bank PLC

Royal Bank of Scotland plc Premium Acc

Save & Prosper/Robert Fleming

Sterling Bank & Trust Ltd

Tyndall & Co Ltd

United Dominions Trust Ltd

J. Henry Schroder Wagg & Co Ltd

Western Trust High Interest Cheque Acc

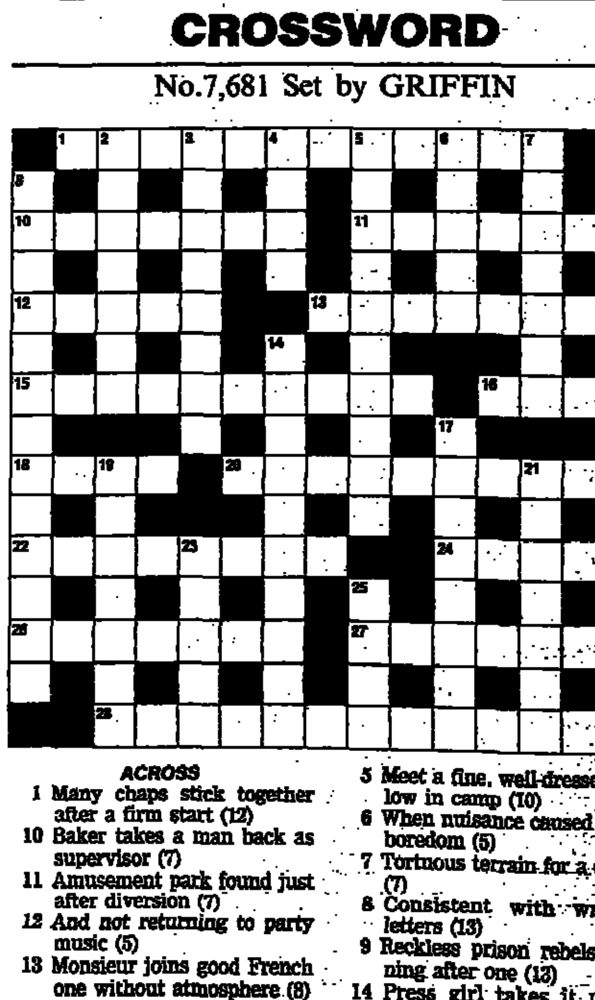
Wimbledon & South West Finance PLC

NOTES - Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate after allowing for deduction of basic rate income tax. CAR: Compounded Annual Rate. Int Cr: Frequency at which interest is credited to the account.

JOTTER PAD

CROSSWORD

No.7,681 Set by GRIFFIN



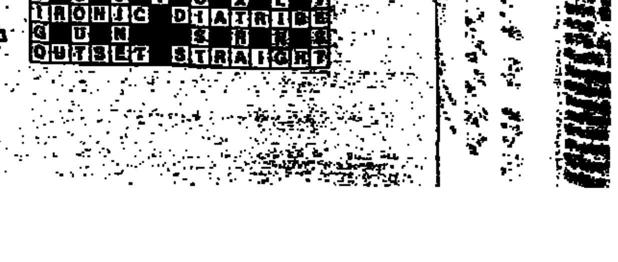
ACROSS

1 Many chaps stick together after a firm start (12)
10 Baker takes a man back as supervisor (7)
11 Amusement park found just after diversion (7)
12 And not returning to party music (5)
13 Monsieur joins good French one without atmosphere (8)
15 Tea in arsenic mixture is excessively sweet (10)
16 Member retiring for a gin, perhaps (4)
18 Expel American model after first offence (4)
20 Girl's strain leads to swelling (10)
22 Down-and-out late going to buffet (8)
24 Cold by start of play, they're succulent (5)
26 Where rain's dispersed by witchcraft (7)
27 Frivolous little girl in trouble (7)
28 One forgot when one was.... (6-6)

DOWN

2 ...found in the sea, cocaine-befuddled (7)
3 During school period Mom revised "Extinct Animals" (8)
4 Figure accountant lost tooth (4)
5 Meet a fine, well-dressed fellow in camp (10)
6 When nuisance caused some boredom (5)
7 Tortuous terrain for a coach (7)
8 Consistent with writing letters (13)
9 Reckless prison rebels running after one (12)
14 Press girl takes it up in anger (10)
17 At home, fighting idleness (8)
19 Enduring strength in a mast at sea (7)
21 Number queuing outside ramp (7)
23 Reserves something to feed (5)
25 Come across bearing when lifting spring (4)

Solution to Puzzle No.7,680



WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

4.00 pm prices October 24

[illegible]

MONTREAL

4.00 pm prices October 24

[illegible]

1200 Canamax	30	30	30	
100 Cantor	$22¼	22¼	22¼	
800 CaPcForest	$27½	d27	27½	–¼
23800 Cara Op	35¾	5⅞	5¾	
10300 Cascades	u$8½	8½	8½	
1000 Celanese	$38⅛	38⅛	38⅛	–¼
10500 Cntrl Cap	140	132	140	+13
6000 Cmpl Ctn	400	385	385	–20
3100 Cntrl Fd A	455	450	455	–6
88700 Cominco	$23	22½	22½	–⅛
2800 Coputalog	120	115	120	+6

1300 KerrAddis	$14¾	14½	14¾	+¼
104300 Labatt	u$28¾	28⅜	28½	
200300 Lac Mnls	$10	9¾	9⅞	
1400 Lafarge	$14½	14½	14½	–⅛
18800 Laidlaw A	$9⅝	9⅝	9⅝	+⅜
882600 Laidlaw B	$9⅞	9½	9⅝	+¼
300 Laurent Bk	u$19	19	19	
2700 Laurent Gp	$6¾	6¾	6¾	
600 Lawson Mar	$10	10	10	+⅛

2400 Rothmans	u$75	73¼	73¼	–⅛
107000 RoyalBkCan	$28⅝	28½	28⅝	+⅛
12100 Ryl Oak Mn	99	95	95	–1
327000 RylTrustco	$8½	8	8	–⅛
3600 StLawrCm A	$13⅞	13⅞	13⅞	+⅛

INDICES

NEW YORK

DOW JONES	Oct 24	Oct 23	Oct 22	Oct 21	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3016.32	3040.92	3039.80	3060.38	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	96.90	96.91	96.99	97.12	97.55 (18/10)	91.30 (16/1)	97.55 (18/10/91)	54.99 (1/10/81)
Transport	1252.62	1278.96	1280.83	1280.27	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.76	212.82	213.07	213.76	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

Day's High (a) (3065.52) Low (a) (3015.21)

STANDARD AND POOR'S

	Oct 24	Oct 23	Oct 22	Oct 21	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	385.07	387.94	387.83	390.02	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	455.75	459.21	459.08	461.95	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.92	31.19	31.25	31.41	32.24 (14/8)	21.96 (9/1)	35.24 (9/11/89)	8.64 (1/10/74)
NYSE Composite	212.32	213.81	213.87	214.88	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	377.73	381.71	381.84	381.78	382.49 (18/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	528.75	535.17	537.14	536.96	540.94 (16/10)	355.75 (14/1)	540.94 (16/10/91)	54.87 (31/10/72)

	Oct 18	Oct 11	Oct 4	year ago (approx.)
Dow Industrial Div. Yield	3.00	3.10	3.12	4.03

	Oct 23	Oct 16	Oct 9	year ago (approx.)
S & P Industrial div yield	2.73	2.69	2.81	3.42
S & P Indl. P/E ratio	21.17	21.44	20.53	14.86

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Citicorp	4,515,400	10⅝	- ⅛
Harley-Davidson	4,221,000	41	- 11¼
RJR Nabisco	3,166,200	10⅛	...
West Elec	2,540,100	16⅝	+ ⅛
Philip Morris	2,413,400	69⅝	+ ⅛
Gaylord	2,367,800	23⅛	...
Amer T & T	2,123,800	37⅞	- ½
General Motors	1,678,500	35⅞	+ ⅝
Comm Psyc	1,644,100	14⅛	+ 1¼
Wal-Mart	1,568,600	46⅛	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 24	Oct 23	Oct 22
New York SE	178.990	185.340	194.130
Amex	15.546	15.721	15.772
NASDAQ	(u)	199.756	180.125
NYSE			
Issues Traded	2,098	2,111	2,126
Rises	503	687	685
Falls	1,073	885	917
Unchanged	522	539	524
New Highs	63	87	122
New Lows	26	20	17

CANADA

TORONTO	Oct 24	Oct 23	Oct 22	Oct 21	1991 HIGH	1991 LOW
Metals & Minerals	2974.53	3000.16	2991.86	3003.25	3299.99 (18/7)	2632.06 (9/1)
Composite	3446.94	3459.16	3467.39	3467.21	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1822.82	1832.90	1835.42	1838.33	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 24	Oct 23	Oct 22	Oct 21	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1645.3	1637.5	1643.7	[illegible]	[illegible]	[illegible]
All Mining (1/1/80)	666.0	660.1	662.5	[illegible]	[illegible]	[illegible]
AUSTRIA						
Credit Aktien (30/12/84)	417.22	417.28	419.99	[illegible]	[illegible]	[illegible]
BELGIUM						
BEL20 (1/1/91)	1104.40	1104.43	1103.83	[illegible]	[illegible]	[illegible]
DENMARK						
Copenhagen SE (3/1/83)	364.39	365.64	365.63	[illegible]	[illegible]	[illegible]
FINLAND						
HEX General (28/12/90)	839.8	838.5	839.3	[illegible]	[illegible]	[illegible]
FRANCE						
CAC General (31/12/82)	489.30	488.49	488.05	[illegible]	[illegible]	[illegible]
CAC 40 (31/12/87)	1831.61	1830.36	1836.79	[illegible]	[illegible]	[illegible]
GERMANY						
FAZ Aktien (31/12/58)	653.77	655.09	650.27	[illegible]	[illegible]	[illegible]
Commerzbank (1/12/53)	1839.7	1844.1	1829.6	[illegible]	[illegible]	[illegible]
DAX (30/12/87)	1579.81	1587.89	1580.71	[illegible]	[illegible]	[illegible]
HONG KONG						
Hang Seng Bank (31/7/64)	3989.34	4021.38	3981.66	[illegible]	[illegible]	[illegible]
IRELAND						
ISEQ Overall (4/1/88)	1437.62	1433.63	1435.87	[illegible]	[illegible]	[illegible]
ITALY						
Banca Com. Ital. (1972)	525.85	523.21	525.74	[illegible]	[illegible]	[illegible]
JAPAN						
Nikkei (16/5/49)	24949.26	24799.94	24954.66	[illegible]	[illegible]	[illegible]
Tokyo SE (Topix) (4/1/68)	1886.63	1877.09	1884.27	[illegible]	[illegible]	[illegible]
2nd Section (4/1/68)	2837.37	2827.82	2825.64	[illegible]	[illegible]	[illegible]
MALAYSIA						
KLSE Composite (4/4/86)	533.54	525.98	522.36	[illegible]	[illegible]	[illegible]
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	278.6	281.0	280.8	[illegible]	[illegible]	[illegible]
CBS All Shr (End 1983)	196.0	197.6	196.9	[illegible]	[illegible]	[illegible]
NORWAY						
Oslo SE (Ind) (2/1/83)	718.06	729.98	737.71	[illegible]	[illegible]	[illegible]
PHILIPPINES						
Manila Comp (2/1/85)	1008.13	1013.31	1014.99	[illegible]	[illegible]	[illegible]
SINGAPORE						
SES All-Singapore (2/4/75)	398.28	391.15	388.20	[illegible]	[illegible]	[illegible]
SOUTH AFRICA						
JSE Gold (28/9/78)	1200.0&	1216.0	1210.0	[illegible]	[illegible]	[illegible]
JSE Industrial (28/9/78)	4155.0&	4157.0	4139.0	[illegible]	[illegible]	[illegible]
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	711.29	714.36	709.89	[illegible]	[illegible]	[illegible]
SPAIN						
Madrid SE (30/12/85)	265.06	267.54	268.59	[illegible]	[illegible]	[illegible]
SWEDEN						
Affarsvarlden Gen. (1/2/37)	995.4	992.0	991.3	[illegible]	[illegible]	[illegible]
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	765.1	763.2	760.1	[illegible]	[illegible]	[illegible]
SBC General (1/4/87)	618.2	618.5	617.2	[illegible]	[illegible]	[illegible]
TAIWAN**						
Weighted Price (30/6/66)	4253.73	4135.64	4088.65	[illegible]	[illegible]	[illegible]
THAILAND						
Bangkok SET (30/4/75)	622.55	(c)	622.07	[illegible]	[illegible]	[illegible]
WORLD						
M.S. Capital Intl.(1/1/70) ($)	517.1*	517.5	519.1	[illegible]	[illegible]	[illegible]

*Saturday October 19: Taiwan Weighted Price: 4391.47. Korea Comp Ex. [illegible]
& Subject to official recalculation.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ [illegible] – 1000; JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks

Thursday, 24 October, 1991

	Stocks Traded	Closing Prices	Change on day
Japan Storage	7.2m	1,160	-10
Meiji Milk Prods	6.9	1,180	-50
Kawasaki Kisen	5.9	605	+11
Nippon Mining	5.1	635	+1
Sekisui House	4.6	1,510	0
Nippon Chem'cn	3.9	1,130	-30
Toyama Chemicl	3.6	840	+28
Jeccs	3.6	605	-10
Hitachi	3.5	898	+1
Sumitomo Heavy	3.3	765	-12

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EUROPE'S BUSINESS NEWSPAPER

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BUSINESS CENTER
MESSETURM

4:00 pm prices October 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp x	0.48	0.03	19	317	14⅛	13⅞	13⅞	-¼
20½	14½	A L Labs A	0.16	0.01	21	349	19½	19¼	19¼	-¼
55¾	40⅞	AMP Inc	1.44	0.03	19	971	51	50	50⅛	-⅝
68⅝	44¼	AMR				124096	65⅛	62⅞	62½	-1½
2⅝	1	ARX			1	14	1½	1½	1½	
56	41½	ASA	3.50	0.07	14	163	49⅞	49¼	49⅝	-¼
57¾	39¼	Abbott Lab	1.00	0.02	23	4633	57⅛	56¼	56⅞	-⅝
14⅝	9⅞	Abitibi Pr	0.50	0.04	24	62	13½	13⅛	13½	+⅛
11⅝	10⅞	ACM Gvt In	1.28	0.12		874	10⅝	10½	10¼	+⅛
9¾	8¼	ACM GvOpp	1.01	0.11		132	9⅛	9¼	9⅛	+⅛
9½	8¼	ACM Gvt Sp	1.01	0.11		325	9⅛	9	9⅛	+⅛
11	9⅞	ACM Crt Se x	1.26	0.12		731	10½	10⅜	10⅜	-⅛
9	7⅝	ACM Man	1.01	0.12		403	8⅝	8½	8⅝	
12⅞	11½	ACM Managd	1.35	0.11		146	12¼	12½	12⅝	
7½	4¼	Acme Cleve x	0.40	0.06	17	29	6⅝	6⅞	6⅞	-⅛
6	3⅞	Acme Elect			2	6	4⅞	4¼	4⅞	
40	22⅞	*Acuson*			24	1653	35¼	34⅞	35¼	+¼
19¼	14¼	Adams Expr	0.73	0.04	9	92	u19¼	19⅛	19⅛	
20⅛	17½	Acbo12Pf x	2.40	0.13		3	19⅞	18⅞	18⅞	-⅛
9¼	6⅝	Adobe Res			48	20	7¼	7⅛	7¼	
38⅜	13	Ad Micro				12	33⅝	33½	33⅝	-⅛
14¼	4⅝	Ad Micro P	3.00	0.28	81	3958	10⅞	10½	10⅝	-⅛
5½	2¼	Advest Grp	0.16	0.04	6	48	4¼	4⅛	4⅛	-⅛
47½	31⅞	Aetna Lf x	2.78	0.07	7	1524	37½	35⅝	37	-⅛

[illegible]

- B -

[illegible]

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[illegible]

- E -

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- F -

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- R -

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- S -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chg
51½	43¼	Xerox4.125 x				z100	51⅛	51⅛	50⅞	-⅞
23⅞	14⅛	Xtra 1.94				23	u23⅞	23⅜	23⅞	+⅛
27⅞	14¼	Xtra Corp	0.72	0.03	92	41	u27⅞	27¼	27⅝	+½
26⅝	21¼	Yankee Egy	1.60	0.06	12	67	26⅛	26	26⅛	+⅛
1½	⅞	Zapata			2	217	1⅛	⅞	1	+⅛
9⅞	6⅛	ZenithElec			2	493	6⅞	6⅝	6¾	-⅛
18½	12	Zenith Nat x	1.00	0.06	84	34	16	15¾	16	
6⅞	4½	Zenix Inc x	0.84	0.13		111	6¼	6⅛	6¼	-⅛
16⅛	10⅞	Zero Corp	0.40	0.03	14	106	12⅞	12½	12½	-⅛
41⅞	29½	Zurn Ind x	0.88	0.02	14	57	35⅝	34⅞	35	-⅝
13½	10⅛	Zweig Fund	1.16	0.09		145	12¾	12⅝	12⅝	
10½	8½	Zweig Tot	0.96	0.09		301	10⅛	10¼	10¼	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices October 24

NASDAQ NATIONAL MARKET

4:00 pm prices October 24

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		29	3306	26½	26	26	-⅛
XL Data		32	135	11	10½	10⅝	-⅛
Xoma Corp		9	4016	17	16¾	16½	+¼
Yellow Fr	0.94	16	2496	30⅛	29¾	30⅛	-¼
York Rsch		77	4148	9¼	8⅞	9¼	-½
ZionsUtah	1.44	9	316	46	44½	45¾	+¼

CZECHOSLOVAKIA

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES
Friday October 25 1991

AMERICA

Disappointing economic data drag Dow lower

Wall Street

BAD NEWS on the economy left share prices markedly lower across the board yesterday in heavy trading, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 24.60 at 3,016.32. The more broadly based Standard & Poor's 500 also closed weaker, down 2.87 at 385.07, while the Nasdaq composite of over-the-counter stocks gave up most ground of all, falling 6.42 to 528.75. Turnover on the New York SE was heavy at 180m shares, while declines outpaced rises by more than two to one.

The market opened weaker on news of a bigger than expected rise in the number of people claiming unemployment insurance during the second week of October and a 3.2 per cent decline in durable goods orders in September.

Although the fall in orders was primarily due to the volatile defence and transportation components (without them orders actually rose in the month), the continuing poor state of the labour market added to concern about the sluggishness of the current economic recovery.

Among individual stocks, Delta rose early on but fell back to end down $3¾ at $65⅛ after the airline reported fiscal first quarter profits of $13m after a loss at the same stage last year. The turnaround was due to a warning from Delta that the next quarter will be affected by the digestion of its slice of the recently dismembered rival, Pan Am.

Other airline stocks moved in similar fashion, rising then falling alongside Delta. UAL ended down $3⅝ at $130⅝, AMR (parent group of American Airlines) fell $1½ to $62⅞, and USAir, which eased $⅛ to $9⅞.

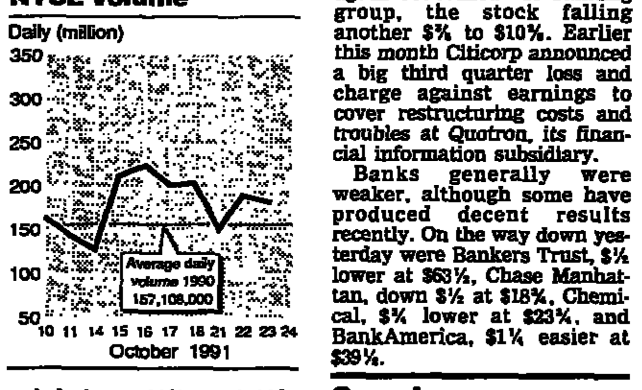
Harley-Davidson plunged $11½ to $40⅞ in heavy trading, the second big fall in two days, as investors continued to react badly to the motorcycle-maker's weaker than expected third quarter earnings report.

The ADRs of ICI, the UK chemicals group, fell $2⅛ to $86 after the stock fell in London on rumours that Hanson was selling its 2.8 per cent stake in the company. Although the rumours were denied, hopes that Hanson might make a move for ICI have dwindled in recent weeks.

Speculation that Citicorp is facing financing problems again bedevilled the banking group, the stock falling another $⅜ to $10⅝. Earlier this month Citicorp announced a big third quarter loss and charge against earnings to cover restructuring costs and troubles at Quotron, its financial information subsidiary.

Banks generally were weaker, although some have produced decent results recently. On the way down yesterday were Bankers Trust, $⅛ lower at $63½, Chase Manhattan, down $½ at $18⅜, Chemical, $¾ lower at $23¾, and BankAmerica, $1¼ easier at $39½.

NYSE volume



Canada

TORONTO stocks headed lower in moderate trading. Based on preliminary data, the composite index lost 12.22 points to close at 3,446.94. Declining issues outpaced advancers 292 to 248. Volume was 24.5m shares, down from the previous 25.8m shares, and trading value was C$262.7m against C$286.6m.

Seoul looks overseas for new lease of life

A $2bn-$3bn inflow could revive one of Asia's worst performers, says **John Ridding**

THE countdown to direct foreign investment in the South Korean stock market – the largest in the world still closed to international investors – is bringing sparks of life to the slumbering exchange.

Although foreign investment will not be properly under way until January 3, some holders of convertible bonds have already been exercising their privilege, granted on October 1, to convert them and trade in underlying equity.

Their purchases, together with second-guessing by local investors, have helped shares favoured by foreigners, such as Korea Mobile Telephone Company, to make strong gains over the last few weeks.

The same cannot be said for the whole market. The index, which yesterday closed at 711.29, is only 4.6 per cent above its level at the start of the year of 679.75, and 29.5 per cent below its all-time high of 1,007.80 reached in April 1989. With the exception of Indonesia, it vies with Thailand as the worst performing market in Asia this year.

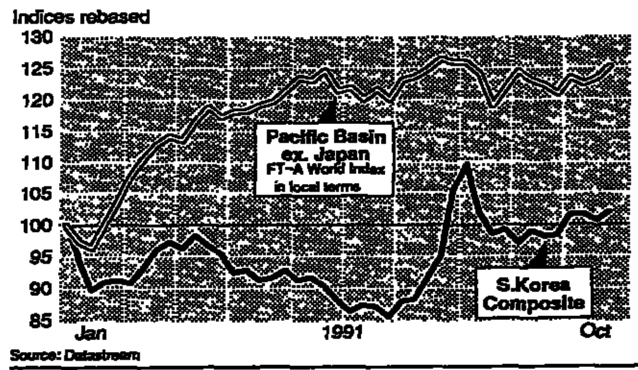
Given the probability that between $2bn and $3bn will flow into the market from overseas when the exchange is opened next year, such sluggishness requires some explaining.

Much of the answer lies in the fundamentals of the Korean economy. "The big picture is far from satisfactory," says Mr Torquil McAlpine, chief representative of Schroder Securities in Seoul. He cites a ballooning trade deficit, already at $10bn so far this year, and restrictive monetary policy as the principal concerns.

There is likely to be some improvement over the next few months. Credit should be loosened a little, while inflation is losing much of its steam and should be kept to single digits for the year as a whole. In addition, import growth, and hence the current account deficit, are also beginning to slow.

Such improvements, combined with the expectations of foreign investment, should help lift the index between now and the end of the year. The more difficult question is by how much.

Most foreign brokers operating in Seoul believe the index will rise to between 800 and 850 points by the turn of the year. In 1992 they expect it to breach the 900 mark.



Source: Datastream

These forecasts may prove a little optimistic. The restricted scope of the market's opening – which allows foreigners to own a maximum of 10 per cent of the shares in Korean companies – obviously limits the effect of the liberalisation. Moreover, many of the favoured Korean companies are already well on their way to 10 per cent foreign ownership as a result of existing Euromarket issues and direct foreign investment.

As the index rises, there will also probably be selling from domestic financial institutions, which bought heavily in 1989 and 1990 to stabilise the market and which are now sitting on large paper losses.

"We would like to redefine our financial structure by selling off equity to repay debt," says Mr Yang Ho Chul, managing director of Dongsuh Securities. He believes that other Korean securities companies will also take advantage of a rising market to reduce their loan-financed equity purchases.

A rising market may be expected to increase the supply of stock. A number of important privatisation issues, such as Korea Exchange Bank and Korea Telecom, have been put on hold because of the weakness of the market. Any significant upturn, therefore, is likely to bring issuers scurrying back to the market.

In an attempt to ensure that newly listed companies are financially sound, the stock exchange said this week that it would toughen listing standards on the first section of the market. Several listed companies have gone bankrupt or faced severe cashflow difficulties so far this year.

But while the market as a whole may not offer dramatic growth, many individual stocks offer the potential for substantial returns. "There are a lot of very cheap issues out there," says an analyst at a European securities company in Seoul.

For the foreign investor sitting on the sidelines and wondering whether to invest in Seoul, the only problem is identifying them.

ASIA PACIFIC

Bargain hunting and lower yields lift Nikkei

Tokyo

SHARE PRICES firmed on bargain hunting and arbitrage-related buying yesterday, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 149.32 up at 24,949.26 after a low of 24,837.57 and a high of 25,087.87. Volume decreased to 430m shares from 450m.

Foreign investors were not active, but domestic investors bought electricals and pharmaceuticals. "Foreigners are taking a break, and some are looking to take profits once the index rises above 26,000," said Mr Dan Kerrigan at County NatWest.

Gains led losses by 656 to 328, while 161 issues were unchanged. The Topix index of all first section stocks improved 9.54 to 1,886.63, and in London the ISE/Nikkei 50 index put on 1.46 to 1,426.70.

Lower bond yields encouraged a rally in the futures market, prompting arbitrage-related buying. The market expects bond yields to decline after a cut in the official discount rate.

Reports that the Ministry of Finance would ease restrictions on real estate lending led to some concern that the Bank of Japan would delay cutting the discount rate. But underlying sentiment remained firm.

Real estate, construction and housing-related issues rose on the lending reports. Mitsui Real Estate climbed Y20 to Y1,550 and Mitsubishi Estate added Y10 at Y1,510.

Some electricals and financials were sought as laggards by domestic institutional investors. Toshiba moved ahead Y14 to Y675 and Sony advanced Y70 to Y5,190. After the close, Toshiba reported a 63 per cent decline in pre-tax profits for the first half.

Biotechnology issues, which have been popular on announcements of new drugs, fell on profit-taking. Meiji Milk Products was down Y50 at Y1,180 and Nippon Chemi-Con retreated Y20 to Y1,130.

Electric battery issues rallied in the morning on the trend towards the development of electric cars. Car companies have focused on environment-friendly cars at the auto show in Tokyo. Furukawa Battery rose Y35 to Y780, but profit-taking eroded an initial gain by Japan Storage Battery, which ended Y10 off at Y1,160.

In Osaka, the OSE average rose 88.32 to 27,333.34 on volume of 36m shares. Buying centred on bio-technology and environment protection stocks. High priced small-capital issues were also popular ahead of the launch of the Jasdaq automated over-the-counter trading system next Monday. Nintendo, the video game maker, rose Y700 to Y14,200.

Ono Pharmaceutical gained Y100 to Y6,500 on rumours that political-related funds were supporting the stock.

Roundup

TOKYO's recovery seemed to take the brakes off markets in the region yesterday, although they found a variety of their own reasons on which to move.

AUSTRALIA was boosted by gains in News Corp and in gold shares. News Corp climbed to A$14.10 on the hive-off of its domestic magazine and printing operations – and the potential reduction in group debt – before it retreated to A$13.30, up 40 cents on the day.

Turnover eased from A$266m to A$257m. The All Ordinaries index appreciated 7.7 to 1,645.2, with golds rising 22.1, or 2 per cent, to 1,152.1. New finds and increased production are supporting some stocks, and there is speculative interest among smaller producers.

The paper and packaging concern Amcor added 20 cents at A$6.60 after an agm report that 1991-92 operating profits were "well ahead".

NEW ZEALAND focused on exporters and other stocks with significant foreign income, which were boosted by Wednesday's sharp fall in the New Zealand dollar. The NZSE-40 index closed 14.56 higher at 1,502.89 in turnover up from NZ$20.8m to NZ$22.9m.

Forestry companies were notable beneficiaries as Fletcher Challenge rose 7 cents to NZ$3.42 and Carter Holt Harvey by 5 cents to NZ$1.95.

KUALA LUMPUR saw strong buying interest as the composite index rose 7.56 to 533.54, with institutional and foreign funds reported to be flowing back ahead of the Malaysian budget scheduled for next Friday. SINGAPORE succumbed to profit-taking, the Straits Times Industrial index losing 5.18 to 1,419.40.

TAIWAN recouped 2.9 per cent after its recent fall on political worries. Hopes that today's demonstration would be peaceful helped the weighted index to gain 118.09 to 4,283.73. Turnover expanded to T$15.6bn from T$12.2bn. The market is shut today.

HONG KONG lost its early gains on meeting profit-taking. The Hang Seng index initially built on Wednesday's advance of 39.72, rising another 30 points soon after trading opened, but closed a net 32.04 down at 3,969.34. Turnover fell to HK$1.26bn from HK$1.4bn.

BOMBAY rose in anticipation of an increase in demand from expatriate Indians after the government raised the ceiling on their investments in Indian stocks. The BSE index moved up 17.53 to 1,793.78.

SOUTH AFRICA

JOHANNESBURG was supported by quality shares. But golds eased as bullion prices slipped back towards $360. The all-share index fell 4 *to 3,463 as the all-gold index* dropped 16 to 1,200. The industrial index lost just 2 to 4,155.

EUROPE

Sip brings some relief to a troubled Italian bourse

A DEGREE of relief in rumour-driven Milan, a lower start on Wall Street and worry about interest rates all featured on bourses yesterday, *writes Our Markets Staff.*

MILAN was supported by a 3.9 per cent jump in Sip, largely on buying from the UK. The Comit index added 2.64 to 525.85 in turnover estimated at marginally higher than Wednesday's L78bn.

The market had been prepared for worse news than the suspension of Mr Claudio Capelli, a member of the Milan brokers' executive committee. The authorities said that next week's settlement of the October trading account would not be disrupted as a result of the suspension. Acqua Marcia dropped L20 or 8.7 per cent to L210. The stock is part of the Romagnoli group, which had its equity portfolios managed by Mr Capelli.

Sip rose L50 to L1,302 in heavy trading. One analyst said that it had risen on hopes that parliament would pass a draft law on the telecommunications industry, which could lead to a rise in tariffs on domestic telephone calls.

The publisher, L'Espresso, due to have a placing soon, fell L700 or 3 per cent to L22,700.

OSLO was depressed by weak results from Norsk Hydro and Dyno Industrier. The all-share index fell 7.37 or 1.5 per cent to 468.89 on turnover of NKr207m.

Hydro fell NKr1.50 to NKr168 after reporting net income of just NKr39m in the third quarter, at the lower end of analysts' expectations. Dyno A shares fell NKr7 to NKr78.

PARIS was held in check by Wall Street's lower opening, and ended almost unchanged on the first day of the new trading account. The CAC 40 index moved between a day's high of 1,841.20 and a low of 1,825.81, before closing 0.65 up at 1,831.01. Turnover was modest after Wednesday's FFr2bn.

Total continued to rise before its listing in New York today. The shares rose FFr10 to another year's high of FFr943 in volume of 130,750 shares. The issue of 2.9m new shares was said to have been oversubscribed, with the French tranche in greatest demand.

Eurotunnel dropped FFr1.95 or 4.5 per cent to FFr41.85 in moderate volume of 1.89m shares, after the consortium building the Channel tunnel warned of a cashflow crisis. In contrast, Hachette, the publisher, rose FFr12.20 or 7.7 per cent to FFr171 after announcing a smaller-than-expected loss for the first half.

FRANKFURT was subdued, the DAX index falling 8.88 to 1,579.01 after a 1.32 decline to 653.77 in the FAZ at midsession. Volume fell from Wednesday's DM5.1bn.

The Bundesbank's slow tightening of the monetary screws brought fears of another increase in interest rates, with a weakening effect on banks, insurers and utilities.

In addition, said Mr Michael Geiger of County NatWest, the round of cutbacks in earnings per share projections for German companies was continuing. He saw vulnerability in steels, or companies with steelmaking subsidiaries.

Mannesmann and Preussag exemplified this, with falls of DM3.30 to DM261, and DM4 to DM335.50 respectively although, said Mr Geiger, on a current year p/e of about 10, Preussag should be able to balance the drop in steel profits with better results elsewhere.

MADRID continued to ease after disappointing comments on interest rates by Mr Carlos Solchaga, the economy minister, on Wednesday. The general index slipped 2.48 to 265.06.

Telefónica, the telecoms group, fell Pta15 to Pta1,230 on profit-taking, in volume of 2.26m shares. Mr Stephen Hughes of Nikko Securities said that the strength of the recent rally was unjustified on fundamental grounds. Telefónica shares have risen 26 per cent since the start of last month, mostly on US buying.

ZURICH responded to weakness in the bond market with a fall in the Crédit Suisse index of 3.3 to 502.7. Chemicals were generally better but they encountered profit-taking as insurance stocks and, to a lesser extent, banks led the equity market down.

AMSTERDAM fell on profit-taking, prompted by weakness in London and on Wall Street. The CBS Tendency index fell 0.7 to 89.6. The steel producer, Hoogovens, declined Fl 2.10 to Fl 49.10 on reports that its aluminium division was making heavy losses.

STOCKHOLM rose for the fifth consecutive session on selective demand for blue chips. The Affärsvärlden General index rose 3.4 to 995.4 on turnover of SKr390m after SKr264m.

FT-SE Eurotrack 100 - Oct 24

Hourly changes

Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close
1101.30	1100.62	1099.63	1098.40	1097.77	1095.95	1094.46	1093.89

Day's High 1101.64 — Day's Low 1093.38

Oct 23	Oct 22	Oct 21	Oct 18	Oct 17
1100.82	1097.32	1097.89	1099.01	1095.78

Base value 1000 (26/10/90)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 24 1991								WEDNESDAY OCTOBER 23 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	155.41	+0.6	135.41	129.62	138.04	132.33	+0.3	4.61	155.43	135.12	129.30	137.74	131.97	158.25	112.74	128.30
Austria (20)	162.90	-0.2	141.03	135.00	143.76	143.98	-0.5	1.98	163.20	141.87	135.76	144.62	144.67	222.37	154.82	214.89
Belgium (47)	128.61	+0.6	111.52	106.74	113.67	111.18	+0.2	5.33	128.04	111.30	106.50	113.46	110.99	151.20	118.04	141.45
Canada (114)	138.90	-0.2	120.25	115.10	122.57	113.15	-0.4	3.30	139.23	121.03	115.81	123.37	113.62	142.27	126.49	124.66
Denmark (37)	252.04	-0.2	218.20	208.87	222.43	225.81	-0.3	1.57	252.54	219.53	210.08	223.79	226.61	270.56	217.74	263.63
Finland (15)	85.11	+0.5	73.68	70.53	75.11	73.46	+0.2	3.31	84.69	73.62	70.45	75.05	73.34	125.15	83.69	101.20
France (109)	138.13	+0.4	119.58	114.46	121.89	125.58	-0.1	3.54	137.54	119.56	114.41	121.87	125.48	152.26	119.11	140.80
Germany (65)	106.38	+0.2	92.10	88.17	93.88	93.88	-0.3	2.41	106.21	92.33	88.37	94.12	94.12	125.35	94.15	118.63
Hong Kong (53)	164.15	-0.8	142.11	136.03	144.86	163.46	-0.7	4.45	165.41	143.79	137.59	146.58	164.65	189.95	119.82	124.95
Ireland (18)	157.53	+0.2	136.38	130.55	139.02	141.24	+0.0	3.54	157.25	136.69	130.81	139.34	141.31	182.46	132.88	164.99
Italy (77)	69.34	+1.0	60.03	57.46	61.19	65.81	+0.7	3.52	68.66	59.68	57.11	60.84	65.32	88.23	64.76	88.78
Japan (474)	142.13	+0.9	123.05	117.78	125.43	117.78	+0.5	0.72	140.89	122.48	117.20	124.87	117.20	145.97	118.23	141.31
Malaysia (68)	203.59	+2.0	176.26	168.71	179.67	215.35	+1.8	2.64	199.66	173.56	166.08	176.92	211.54	247.78	189.18	213.09
Mexico (18)	1330.86	+1.2	1152.18	1102.89	1174.52	4381.27	-0.5	1.20	1315.04	1143.17	1093.94	1165.35	4402.55	1338.04	534.45	549.25
Netherland (31)	139.39	-0.5	120.68	115.51	123.02	121.70	-0.9	4.43	140.05	121.74	116.50	124.11	122.79	145.73	125.70	136.14
New Zealand (14)	47.43	+1.7	41.06	39.31	41.86	45.21	+1.2	6.43	46.62	40.53	38.79	41.32	44.67	54.84	41.18	51.57
Norway (31)	188.58	-1.2	163.25	156.26	166.41	170.56	-1.4	1.66	190.86	165.91	158.77	169.14	172.99	223.24	178.38	244.91
Singapore (38)	201.15	+0.3	174.15	166.70	177.52	196.80	-0.1	2.20	200.61	174.39	166.89	177.78	196.89	206.25	151.63	168.65
South Africa (61)	254.68	-0.8	220.49	211.05	224.76	174.23	+0.2	2.78	256.62	223.08	213.47	227.41	173.94	256.85	173.00	165.99
Spain (53)	151.35	-0.8	131.03	125.43	133.57	122.86	-0.9	4.46	152.50	132.57	126.86	135.14	123.96	171.12	131.51	153.10
Sweden (25)	182.29	+1.0	157.82	151.07	160.88	167.11	+0.8	2.67	180.57	156.97	150.21	160.02	165.87	204.12	146.60	179.45
Switzerland (59)	94.57	+0.1	81.87	78.38	83.47	87.21	-0.1	2.21	94.49	82.14	78.61	83.73	87.26	100.67	82.17	94.28
United Kingdom (240)	173.70	-0.8	150.38	143.94	153.28	150.38	-1.2	4.92	175.05	152.18	145.62	155.12	152.18	187.44	156.27	163.39
USA (526)	156.48	-0.7	135.47	129.68	138.11	156.48	-0.7	3.09	157.57	136.97	131.08	139.64	157.57	161.02	125.95	124.92
Europe (827)	137.41	-0.2	118.96	113.87	121.27	120.74	-0.6	3.97	137.74	119.74	114.59	122.07	121.47	151.52	125.50	139.23
Nordic (108)	180.57	+0.2	156.59	149.89	159.62	157.60	+0.0	2.07	180.59	156.99	150.23	160.04	157.54	200.81	155.55	190.03
Pacific Basin (718)	142.57	+0.8	123.43	118.15	125.83	119.12	+0.5	1.05	141.41	122.92	117.63	125.31	118.58	145.92	117.86	139.95
Euro – Pacific (1545)	141.29	+0.4	121.95	116.73	124.31	120.63	+0.1	2.19	140.29	121.96	116.70	124.32	120.58	147.66	121.29	140.03
North America (640)	155.32	-0.7	134.46	128.73	137.09	153.55	-0.7	3.10	156.36	135.92	130.08	138.58	154.59	159.66	125.91	124.81
Europe Ex. UK (587)	115.79	+0.2	100.25	95.98	102.21	103.70	-0.1	3.25	115.60	100.49	96.18	102.47	103.85	129.80	103.58	123.87
Pacific Ex. Japan (244)	146.86	+0.3	127.15	121.73	129.63	130.23	+0.1	4.23	146.38	127.23	121.77	129.71	130.06	147.60	111.49	123.24
World Ex. US (1736)	142.74	+0.4	123.57	118.29	125.97	121.96	+0.0	2.23	142.21	123.62	118.31	126.03	121.92	148.16	122.32	140.00
World Ex. UK (2022)	143.68	-0.1	124.39	119.07	126.81	131.02	-0.1	2.27	143.58	124.81	119.44	127.25	131.18	145.77	120.06	130.81
World Ex. So. Af. (2201)	145.59	+0.0	126.04	120.65	128.50	132.52	-0.2	2.53	145.60	126.57	121.13	129.04	132.63	146.66	122.92	133.51
World Ex. Japan (1788)	149.93	-0.5	129.80	124.26	132.34	140.96	-0.6	3.45	150.62	130.93	125.30	133.49	141.79	152.65	126.69	131.08
The World Index (2262)	146.31	+0.0	126.67	121.25	129.13	132.68	-0.2	2.54	146.33	127.21	121.73	129.68	133.18	149.01	123.28	133.70

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■ The economy: highest level of confidence in years: see page 3

FINANCIAL TIMES SURVEY

MEXICO

■ Bankers and brokers are braced for big changes: see page 4

While oil makes a massive contribution to the national coffers, agriculture is largely inefficient. President Carlos Salinas (right) is committed to land reforms which carry intense political risk for him.

IN THIS SURVEY

Manuel Camacho Solis: possibly Mexico's next president. See page 8

Editorial production: Michael Wiltshire

Nation in transition

With a plan for radical economic, industrial and political reforms, the government has embarked on nothing less than a fourth Mexican revolution, says Stephen Fidler, Latin America Editor

MEXICO is changing. The administration of President Carlos Salinas has already convinced many abroad of this. In the remaining half of his six-year term, he will have to persuade the majority of Mexicans of the same.

The mid-term Congressional elections delivered to the president the votes and the legitimacy he lacked when taking office in 1988. The question that occupies Mexico now is whether this success will accelerate the process of reform or remove the need for more of it.

In few countries does the past have such a pervasive influence on public consciousness as it does in Mexico. The three Mexican 'revolutions' – against the Spanish in the early 19th century, against the church in the middle of the century and the civil war from 1910-20 – have provided Mexico with its icons.

While the government has been for the most part autocratic, pragmatic and highly centralised on the office of the president, it has been able to appeal to themes which have long struck a chord with Mexicans.

These themes have been generally 'socialist' – typified by the commitment to permanent land redistribution, xenophobic – hostile to the US and to foreign capital, and anti-clerical.

The administration of Carlos Salinas has shown itself to have little time for such traditions. While unable to abandon completely the pretence of continuity with the past, the government has embarked on nothing less than a fourth Mexican revolution.

"We've been doing things that some years ago would have been considered anathema in Mexico," said Mr Salinas last month. People's response to the changes showed "they wanted a different Mexico."

During the first half of his presidency, he has started negotiations over a free trade agreement with the US and Canada, sold off large slices of state-owned Mexican industry, successfully tackled the country's external debt problem and more, while keeping the government's budget deficit under tight control.

Interviews and conversations with members of the administration, including the president, suggests these reforms will continue, if not intensify.

The president says his aim is to consolidate what has already been done and go further in relatively untouched sectors of the economy, such as agriculture and education, and into political life.

Even if the president had a mind to sit on his laurels, demographic and other changes would dictate that he should not.

Eighty per cent of Mexicans are under 40 years old, and the traditional interests represented by the corporatist structure of the ruling Institutional Revolutionary Party (PRI) no longer have much relevance to many of them.

Neither do they mean much to most of the 25 per cent – and growing – proportion of the population which thinks of itself as middle class.

Mexican politics then is in for reform: a large part of this involves making a clean split for the first time between party and the government - "we want to become a party in the government as opposed to a party of the government," says PRI president, Luis Donaldo Colosio.

Failure to reform PRI would – probably sooner rather than later – render it irrelevant. Like most of the actions of the current administration, it is based on a pragmatic rather than ideological view of the way forward for Mexico.

Reform will inevitably go further, into areas that will affect more Mexicans. Mr Salinas appears committed to agricultural reform, an issue which carries intense political risk for him. He sees the agricultural system as promoting uncertainty, discouraging investment and intensifying the cycle of poverty in the countryside. A quarter of Mexicans depend on the land, but they produce only 8 per cent of gross domestic product. The system is "unsustainable," says Mr Salinas.

Education is also a priority; and a touchy area. The education system is hardly preparing Mexicans for the world they will be expected to enter, not least because of the antipathy of school textbooks to the US, Mexico's expected new free-trading partner.

There are other areas where internal and external pressures will probably lead him to act: human rights, in particular the behaviour of the police; an improvement in the legal system; reconciliation with the Roman Catholic church.

Most important is the issue of poverty, potentially deeply divisive and likely to worsen severely if farm reform backfires. The president's Solidarity anti-poverty programme has helped to alleviate suffering in some areas. The channeling of government funds through local committees for specific projects has been an efficient use of public money, bypassing the sometimes corrupt usual channels of government.

It has incidentally done no harm for Mr Salinas in the polls. Real spending on Solidarity – \$1.8bn this year – is going to continue to rise in future, says the president.

The key to Salinas's policy though is sustained economic growth, which should improve the lot of everybody. In this respect, so far, so good. Mexico is enjoying a significant inflow of investment funds, based on the perception of a stable macroeconomic policy.

However, as Mexico's finance minister, Mr Pedro Aspe, says, such confidence is "rented, not bought for good." Maintaining such confidence, even after his departure is one of Mr Salinas's main tasks. He was to make irreversible what has already been done – hence the free trade agreement with the US and Canada.

He would also further this course by the choice of a successor with a similar frame of mind to himself.

If he chooses a successor, he may be the last Mexican president to make use of that particular tradition: that is the logical consequence of what Mr Salinas is doing. Taking over an office with domestic power almost unequalled in the world, he is using that power to change Mexico.

If Mr Salinas carries through on his promises, paradoxically, the power of the office he will hand over to his successor will be much circumscribed – by the democratically-expressed will of the Mexican people, by the requirements of international trade and finance and, it is to be hoped, by the rule of law.

In other words, by the forces which constrain heads of governments in all modern states.

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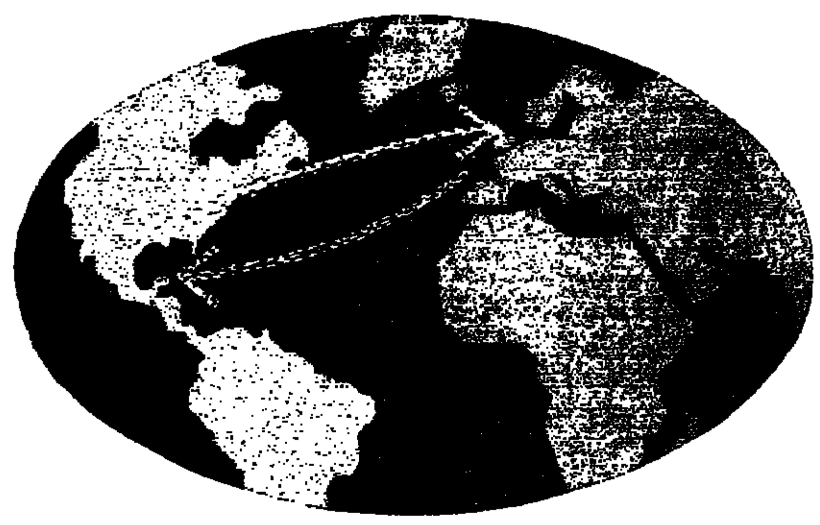

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IT'S NOT ABOUT HANDLING CHANGE.

MEXICO 2

POLITICS

Pressures on ruling party

A political upheaval is under way, says STEPHEN FIDLER

SINCE the collapse of communist power in the Soviet Union, the Institutional Revolutionary Party (PRI) has become the longest-serving ruling party in the world. *It has* – in one form or another – run Mexico since 1929.

The party was delivered an almost fatal blow in the elections which brought the current president, Mr Carlos Salinas, to power in 1988. Mr Salinas scraped in with a 51 per cent vote. This was unprecedentedly low support for a PRI presidential candidate.

Even so, the PRI vote was marred by opposition allegations of fraud. The people of Mexico were delivering their verdict on the six-year term of President Miguel de la Madrid.

The term co-incided with six years of austerity which followed the declaration in 1982 that Mexico could no longer meet its foreign debt obligations. The near-disaster in the elections brought about severe soul-searching in the PRI.

Mr Salinas himself set about tackling one problem. His own so-called "Solidarity" programme aimed financial help at certain poor areas, to build schools, pipe in water, provide electricity and the like. Some of these areas – though not all of them – were those where the PRI's showing had been weak in 1988.

For instance, money was poured into Chalco, the desperately poor shanty town on the outskirts of Mexico City, where Mr Salinas was advised for his own safety not to try to enter as a candidate in 1988.

To this area – described by the chief of the Solidarity programme, Mr Carlos Rojas, as a "time-bomb, ticking away 30 minutes for the centre of Mexico City" – the president is now a regular visitor.

That was not all. The president began to tackle the PRI's shortcomings, with one constraint: the requirement not to shake up the party so much that it would not be able to deliver the votes in the 1991 mid-term elections.

These votes were required to legitimise and strengthen the Salinas mandate. In the event, the PRI obtained the backing of 61 per cent of voters. The election was, by previous standards, regarded as relatively 'clean,' although not completely free from allegations of fraud.

The question now being asked in Mexico is whether the president will see further need for reform of the PRI, now that it has delivered him his much-needed legitimacy in the mid-terms. Mr Salinas says it will – "the PRI has been going through important changes within its structure; it will still have to improve in terms of its campaigns, in terms of selecting the best candidates, in terms of its political practices and in terms of its internal organisation. It has already come a long way, but it has still has more to go."

The party, said the president, will have "to work more on a territorial basis." His suggestion is that the historical pillars of support for the PRI – the labour unions, the peasants, and the professional classes led by the teachers – will no longer be a sufficient basis of party support.

This must be in part because of Mexico's changing demographics: 80 per cent of the population is below 40 years of age, and the old divisions mean little to many of the young. Or to the middle classes which Mr Salinas has enlarged through his economic reforms.

Hence, his emphasis on territorial, or "grass roots" support for the party. The president of the PRI, Mr Luis Donaldo Colosio goes further in his exposition of how the PRI will change: although he will not make any commitments as to the speed of the change.

Care is needed "because an irresponsible transformation of the PRI could put the nation's integrity and cohesion at risk."

"The Mexico you are seeing today is not the Mexico of three or five years ago. The country is going to carry on changing."

He adds: "One thing is for sure: we are heading for a profound transformation. It's going to occur faster than in the past three years."

A territorial basis for the party is "fundamental," he says. "Another point is to do with the financing of the party. We have to make this, and the use of the funds, more transparent."

Asked about the block membership of the party by trades unions, Mr Colosio says: "As president of the PRI, I wouldn't want them to stop belonging to the party ... but the organisations must allow their members to decide what party they want to adhere to. *If I* belong to a union, that doesn't necessarily imply that I belong to the PRI." The transformation, he says, will be from "a bureaucratic centralised party to a party of citizens in territorial areas."

There has been substantial press speculation that the Mr Salinas will abandon the PRI, and use the local committees of Solidarity as the basis for a new party.

Mr Colosio insists that the local committees of Solidarity are "plural in nature and belong to the community" and that Solidarity will not be used as the basis for a new party.

Mr Rojas of Solidarity believes that future presidents will not abandon Solidarity as a tool for poverty alleviation, but that it will not be the basis for a new party.

President Salinas himself says that "Solidarity is a programme that works for every Mexican, regardless of their political beliefs or of their political affiliation ... the way Solidarity works shows that the process of building democracy in Mexico goes beyond the political parties, *it has* to go to the core of the community. This is something new, not seen in Mexico before: that is a grass-roots democratic movement, along with a social programme."

Luis Donaldo Colosio, PRI president: predicts big changes.

OPPOSITION PARTIES

Knocked down, but not out

Luis Alvarez, leader of the National Action Party (PAN)

MEXICO'S opposition parties, beset by internal squabbles and unable to match the unlimited resources of the ruling Revolutionary Party (PRI), emerged from August's mid-term elections badly defeated, but not yet knocked out.

Mr Cuauhtemoc Cardenas's centre-left Party of Revolutionary Democracy (PRD) won just 8.3 per cent of the vote, 23 fewer percentage-points than Mr Cardenas won in the 1988 elections; the PRD won no directly elected Congressional seats, and posed no threat at all in the 32 senate and 6 gubernatorial contests.

The conservative National Action Party (PAN) performed better, but the results came far from justifying hopes that some day the PAN will threaten the PRI's hegemony.

The PAN won just 17.7 per cent of the vote, and 10 directly *elected congressmen of 300*. The party won no gubernatorial contest outright, although on August 29 President Salinas *handed over* the governorship of Guanajuato to the PAN, after allegations of fraud undermined the PRI victory. For the first time the PAN won a senate seat, in Baja California, where it won its first governorship in 1989.

The PRD's performance reflected growing disillusionment with the party since it was formally founded in May 1989 (Mr Cardenas ran under a four-party coalition in 1988). The new party has been divided internally, poorly organised, and unable to respond adequately to the apparent success of the liberal policies of President Carlos Salinas.

The division showed themselves at the end of last year, *when one of the party's leading* ideologues, Jorge Alcocer, resigned, accusing Mr Cardenas of being intolerant and *authoritarian. Mr Alcocer* resignation was soon followed by those of three other PRD intellectuals, Pablo Pascual Moncayo, *Adolfo Sanchez Rebolledo*, and Jose Woldenberg.

All four attacked the PRD leadership for refusing to negotiate with the government. Mr Alcocer was bitterly critical of the PRD's one-track strategy of waiting for the imminent collapse of the government, and passing time by attacking the legitimacy of Mexican elections (even before the elections are held). Instead, he urged the party to "construct viable alternatives" for the country.

The criticisms highlight the dilemma the PRD faces. The party leaders are understandably wary of co-operating in a political system that is heavily biased against the non-government parties. But the strategy of refusing to accept the legitimacy *of the government, and* hardly entering into debate with it, risk marginalising the party and alienating main*stream support*.

After the poor showing in the August election the PRD national committee may have *changed its tune. The national* committee published a report after the elections saying that the party had very serious deficiencies in organisation, lack of systematic contact with the party bases, and poor work in maintaining the presence of the PRD in different sectors of the country. For the first time the PRD did not blame the government or fraud for its failures, and seemed to be starting the hard task of building up a party organisation.

But it is not clear that Cuauhtemoc Cardenas, the party's revered nationalist leader, wants to embark on this course. He has shown no sign of agreeing to accept the legitimacy of President Salinas, and has criticised his chief *lieutenant, Porfirio* Munoz Ledo for meeting Mr Salinas.

In an interview, he said "there is a possibility of us not *participating in the next elections*," if there was an agreement with the PAN. He is not, by nature, a man interested in the *details* of organisation, or party structure.

The PAN, under the gentlemanly leadership of Luis Alvarez has been attacked for precisely the opposite reasons - for being too conciliatory with the government, especially in supporting the new electoral laws. Nevertheless the PAN's national committee backed in September the conciliatory faction in the PAN, against the so-called *Foristas* in the party, who do not want to cut any deals with the government.

The leadership shows little interest in the idea of a democratic coalition with PRD, for the purposes of defeating the PRI. As Mr Alvarez said, "an agreement with the PRD can be done without coalition candidates, we can work together to improve the law. Our points of view are very different and it would be hard to propose a *coalition candidate* who embodies both sides of the coin. What we have to do is work to respect the vote."

Many *Panistas* have been turned off the possibility of not co-operating with the government by the dismal showing of the PRD. Other Panistas support the government's liberal economic policies, and have been some of the main beneficiaries.

Mr Alvarez has nevertheless hardened his criticisms of the government since the elections. He supported, despite some reservations, Mr Vicente Fox's eventually successful campaign to oust the PRI governor-elect from Guanajuato; and backed Dr. Salvador Nava, the coalition opposition candidate in San Luis Potosi, in his successful attempt to force the resignation of the PRI Governor Mr Fausto Zapata (replaced by another Priista).

The success in San Luis was undoubtedly a blow to President Salinas, who fought hard to keep Fausto Zapata as governor. The opposition forces can probably take comfort that since 1988 they have become sufficiently strong to make it *difficult and even possible for* the PRI to commit fraud and get away with it.

Still, the ruling party enjoys *overwhelming advantages* compared to the opposition, mainly thanks to its superior economic resources, and control of much of the press and television. Until the political playing field has been levelled, the opposition are unlikley to threaten the PRI in the near future; but nor can Mexico be properly called democratic.

Damian Fraser

This announcement appears as a matter of record only

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for

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For further information contact:

UK	Sally Unwin Bob Wingerath Barclays Bank PLC (071) 283 8989	Rupert Byng Barclays de Zoete Wedd (071) 623 2323
Mexico	Roberto Latapi Barclays Bank PLC (525) 525 1870/73	
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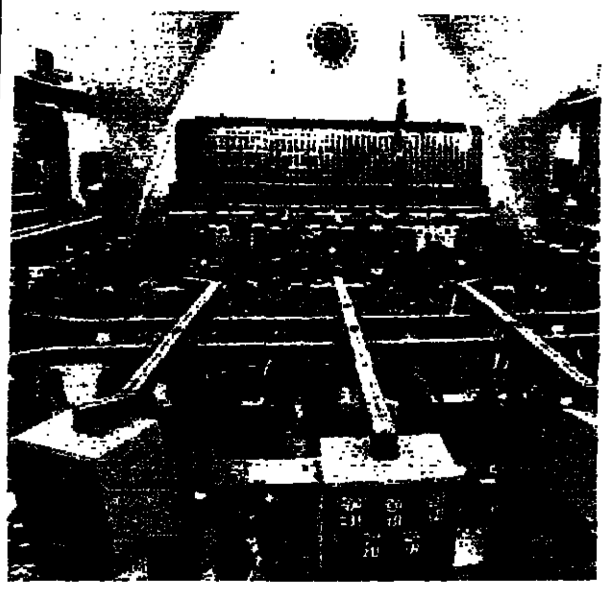
KEY FACTS

Area	1,972,545 sq.km.
Population	86.15m (1990 mid-year estimate)
Head of State	President Carlos Salinas de Gortari
Currency	The peso
Average exchange rate	1989, $1=2461.5 ; 1990, $1=2812.6

ECONOMIC INDICATORS

	1989	1990
Total GDP ($bn)	209.9	237.8
Real GDP growth(1)	3.1	3.9
Components of GDP (%):		
Private consumption	65.0	n.a.
Gross fixed investment	17.3	n.a.
Government consumption	11.0	n.a.
Exports	17.9	n.a.
Imports	11.2	n.a.
Consumer prices(1)	20.0	26.7
Industrial wage rates(1)	30.9	30.0(5)
Manufacturing production(1)	6.7	5.2
Oil production (mbd)	2.513	2.540
Reserves minus gold ($bn)	6,329m	9,863m
Narrow money growth (% p.a.)	37.4	62.9
Broad money growth (% p.a.)	116.0	76.0
Treasury bill rate(2)	45.0	37.4
FT-A Index(3)	+136.5	+97.1
Gross external debt ($bn)	95.9	102.7
Debt service ratio (%)	39.5	n/a
Budget balance (% of GDP)	−5.7	−3.8
Current account balance ($bn)	−3,958	−5,251
Exports ($bn)	56.709	76.326
Imports ($bn)	60.342	88.058
Trade balance ($bn)	−0.645	−3.026
Main trading partners 1990(4):	Exports	Imports
United States	73.1	70.4
European Community	10.2	12.6
Japan	5.4	5.1
West Germany	1.5	4.5
Spain	3.6	1.4
France	2.2	2.1
United Kingdom	0.8	1.2



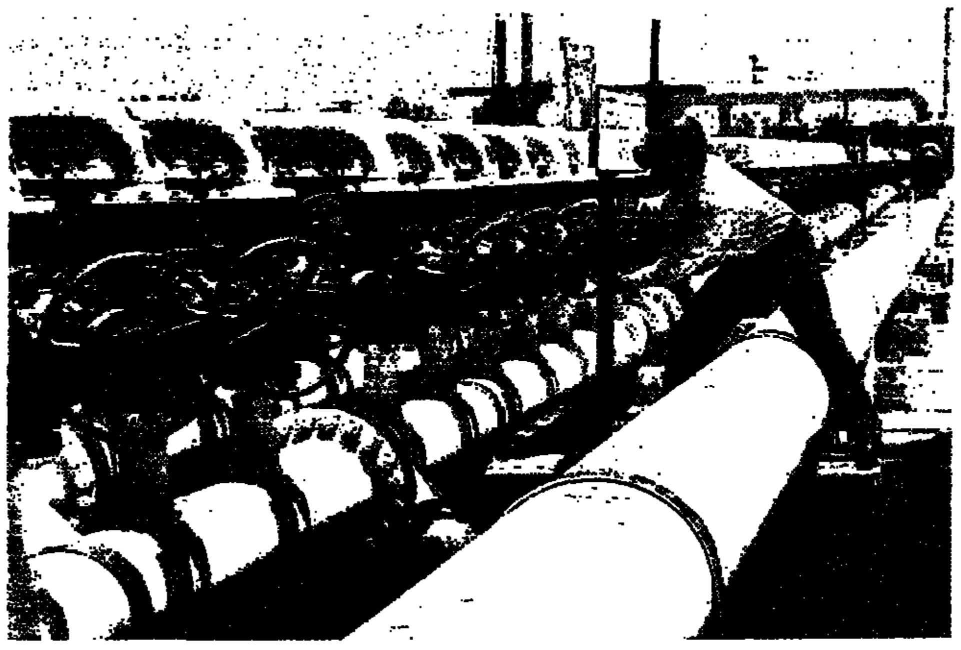
The Stock Exchange, Mexico City: brokers face tougher times, (see page 4)

Notes: (1) Annual percentage change (2) Percent at end-year (3) Percentage change at end-year. (4) Percentage share by value. (5) Year to November. 1990 figures for GDP, external debt and budget balance are provisional.
Sources: IMF; Economist Intelligence Unit; FT statistics.

THE ECONOMY

Highest level of confidence in years

Pedro Aspe, finance minister: ambitious aims.



A $20bn investment programme in the oil industry is planned in the next five years.

WALK UP the stairs to Mr Pedro Aspe's office in the Palacio Nacional in Mexico City and you pass the dramatic mural by the artist Diego Rivera which depicts Mexican history from the arrival of the Spanish.

From the top of the painting, Karl Marx looks down on foreigners pillaging Mexico – including the black-suited bankers led by J Pierpont Morgan – and urges the workers to unite. Rivera's mural represents in dramatic terms the values associated with 20th century Mexico: socialist in inclination and inward-looking.

The artist would not have approved of what Mr Aspe, Mexico's finance minister, and his team are working on a few feet from his famous painting. For the past three years they have helped to bring about dramatic changes in Mexico.

They have privatised large sectors of Mexican industry, settled the country's foreign debt problem (assuming no big adverse shocks, such as a halving of the oil price), brought the budget firmly under control and made significant inroads against inflation.

Confidence in the Mexican economy, inside and outside the country, is at its highest level for years, reflected by the inflows into the country of foreign investment funds and of flight capital. This has been reflected in a sharp fall in the costs of borrowing by Mexican entities in international markets. But Mr Aspe is cautious: "You don't buy confidence; you rent it," he says.

He has applied a brake on borrowing by Mexican entities in the international market because he fears things may be getting out of hand. Less than two years ago, Mexico had to pay interest rates close to 17 per cent to borrow from the international bond markets. Now it can borrow at 7½ per cent – "I honestly think," he says, "that we weren't that bad and we're not that good." The job then is not done; asked to outline important issues for the three years ahead, he lists three bottlenecks:

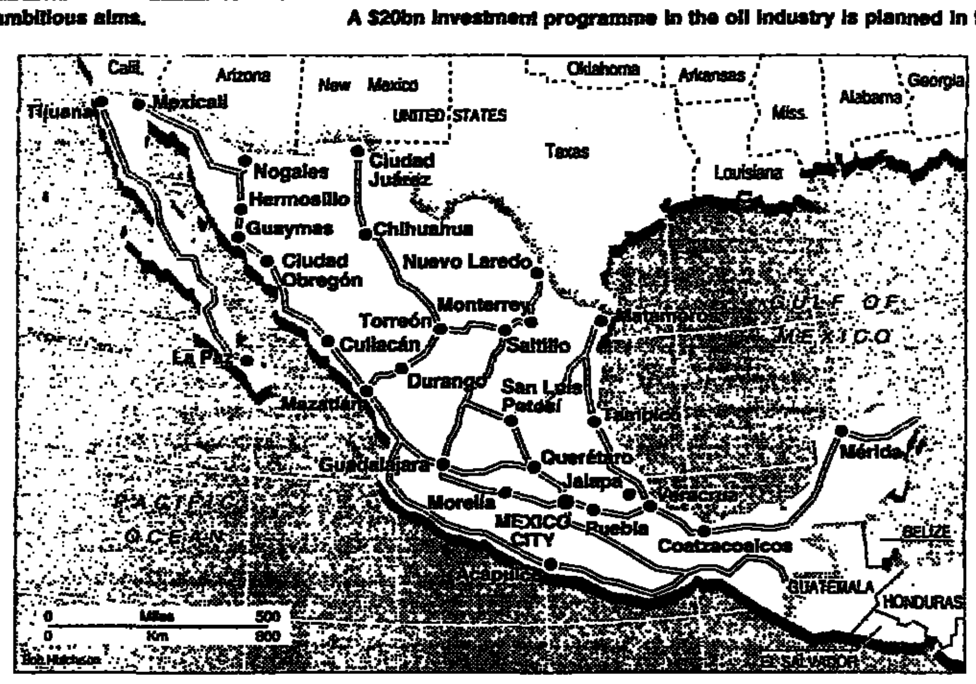
□ "Economic agents want the economy to grow faster than it *can* grow," he says. After a decade of low public investment, there are serious infrastructure bottlenecks, which he believes the private sector can play a large role in easing.

□ Workers want to recover the real wages lost in the 1980s – "they didn't lose their standard of living overnight – and they won't get it back overnight," he says.

□ In several sectors of the economy, including agriculture, there continues to be extremely low productivity.

While these issues are likely to be debated in the administration over the next three years, the path of macroeconomic policy will not – "don't ask macroeconomic policy to play the role of microeconomic policy," says Mr Aspe. According to the minister of planning and budget, Mr Ernesto Zedillo, the first objective of macroeconomic policy in 1992 will be a further reduction of inflation which is forecast to fall to just over 15 per cent this year from about 30 per cent last year.

The aim for next years, although independent economist in Mexico believe this may be too ambitious, will be to push it into single digits. There is no relaxation of fiscal policy planned, with the primary budget surplus for 1992 in line with that expected in 1991 – "it shouldn't have a negative impact on growth because the private sector is moving rather quickly," he says. Growth is forecast steady at around 4 per cent next year, against 4 to 4½ per cent this.



The government is also having to deal with problems associated with two sides of the same coin: large inflows of capital which complicate the task of monetary management and a growing current account deficit, which some economist believe suggests an overvalued peso. The central bank is successfully sterlising the monetary effects of a large proportion of these inflows, though not all. Because this central bank action minimises the impact of the inflows on the economy, the risk to the economy of an abrupt stoppage of the capital inflows is thus lowered. Mr Jesus Marcos, director of economic research at the central bank, says: "I feel confident about the stability of capital inflows to the extent that the government has a coherent economic policy and a coherent response to external shocks."

Mr Zedillo points to the extent to which the current account deficit is a product of the sharp growth in investment in Mexico – "the rate of growth of investment has been almost times as high as GDP [gross domestic product] growth. This gives me peace of mind. People are spending more, but they are spending more investment."

The peso is currently being devalued at a 5 per cent annual rate, a figure which more or less differentiates current inflation rates from those forecast for next year.

Provided public finances remain in check and the debt of the public sector is not growing, the government appears to be relatively unconcerned about the growth in the current account deficit. The comments of government officials suggest therefore that the deficit on the current account will be no constraint against a decision to fix the peso to the dollar.

Stephen Fidler

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MEXICO'S bankers and brokers have had an eventful year. The government privatised seven of the country's 18 banks for $4.55bn; the remaining 11 are on the block, and should be sold by the middle of next year. The Bank of Mexico, reacting to a liquidity crisis occasioned by phenomenal increase in demand for loans, removed the liquidity coefficient (akin to a reserve requirement) on new lending. The finance ministry abolished fixed commissions for brokerages, heralding in cut-throat price competition.

The bank privatisations have grabbed most of the attention. Multibanco Mercantil de Mexico was the first to be sold for $204m, or 2.56 times book value. Since then, each bank has gone for more than 2.5 times book value; 50.7 per cent of Banamex, the country's largest, was sold on August 26 for $2.3bn to investors headed by the brokerage Accival; they, with regional board members have agreed to buy another 20 per cent of the stock at the auction price.

The bank prices have, by the finance ministries own admission, been higher than expected. In part, the buyer's optimism is based on rosy views of Mexico's economic prospects.

Under most assumptions, Mexico's banking system will grow at least twice as fast as the economy in the next five year. This is partly due to a booming demand for loans, but also as yet under-developed credit card, mortgage, and leasing markets, according to Mr Justin Manson, of CS First Boston, the principal advisers to the Mexican government on the bank privatisations. Economic growth of 5 per cent or more a year would, buyers reckon, lead to easy pickings.

There are also substantial room for cost-savings. As Mr Jaime Corredor, the head of Banco Internacional concedes, "there is much to do with regards to reduction in personnel, especially in the back office".

The banks under state ownership have not invested sufficiently in management information systems; almost all of them could benefit from such investment, not least because by giving them an idea of what their net positions in the market were, it would help them to better control risk.

While the overall environment looks favourable, the banks faces increasingly tough competition. First, there is the prospect of free trade with the US and Canada. US and Canadian banks are unlikely to make much headway in the retail or middle-level corporate market, mainly because the investment and local knowledge required is beyond them. Further, the Mexican large corporations already have access to international banks in the corporate sector.

But the credit card and mortgage markets should be prove tempting to US and Canadian banks. The net interest margin on a peso credit card is still around 30 per cent, while commissions are at a healthy 3 per cent.

US and Canadian banks have much more experience than their Mexican counterparts in statistical credit analysis required in these two markets. If they can borrow in pesos relatively cheaply, and are given access to Mexico in a free trade agreement, the market in both sectors should prove irresistible.

Second, the Mexican banks themselves will start to become more aggressive, and as they do, previously fat profit margins will fall. Mexico with 18 banks already has too many, compared to most European countries.

The net interest margin between deposits and loans, which was 6 percentage points in 1990 already is falling; in Europe the spread is just 3 to 3.5 per cent. Profits made from money market operations are also dropping, as the government moves into surplus, and stops borrowing money. Some shake-out in the banking sector, in the form of alliances or bankruptcies seems inevitable.

Mexican brokers are betting that the synergies between banks and their old companies will help them squeeze out extra value of their new purchases. This view has become so commonplace that some brokerages still without a bank have started to panic, in events reminiscent of London's Big Bang, when banks (foolishly, as it turned out) rushed to buy brokerages. In both Inverlat and InverMexico, two leading brokerages, senior executives have been squeezed out for failing to land a bank. The brokers themselves face tougher times ahead. Much of their capital has been or will be dispersed on buying the banks, but in the future they can no longer rely on fixed commissions for easy profits; as after Big Bang in London margins should fall in coming years.

Mexico, with 25 brokerages, by European standards, also has too many. The one market gap — in producing decent research — is starting to be filled by foreigners. And the brokers may have exaggerated the synergies between banking and broking. As Mr Corredor says, "there is not much synergies; the markets are very distinctive.. And I think the philosophy of a banker is very different to the philosophy of a broker."

These structural deficiencies may well be hidden by rapid economic growth, and the fact that Mexico is still relatively under-banked. But, come economic slowdown, and the blood-letting will start.

MEXICAN BANKS FOR SALE

Banks: showing financial data as at Aug.1991	Total assets in US$m	Earnings LTM	Amount paid	Amount sold (%)	Price, Book	Date of auction	LTM earnings in $m	Assets in $m
Banamex	29,437	409.5	3,171.9	70.72	2.62	Aug.23	402.9	26,041
Bancomer	25,393	298.1	*	*	*	Oct.25	*	*
Serfin	18,710	76.9	*	*	*	*	*	*
Internacional	7,791	18.8	*	*	*	*	*	*
Comermex	7,339	58.9	*	*	*	*	*	*
Somex	4,361	(5.2)	*	*	*	*	*	*
Mercantil	3,541	19.1	199.7	77.19	2.56	June 7	20.3	2,592
Atlántico	3,121	10.9	*	*	*	*	*	*
Bancreser	3,093	2.6	138.6	100	2.59	Aug.16	2.7	3,107
BCH	3,067	12.8	*	*	*	Nov.8	*	*
Cremi	2,537	15.3	24.5	66.7	3.4	June 21	15.8	1,826
Confia	2,354	27.8	291.6	78.68	3.73	Aug.2	27.4	2,110
Banorte	1,715	51.9	*	*	*	*	*	*
Promex	1,374	31.9	*	*	*	*	*	*
Banpais	1,241	6.4	178.1	100.0	3.03	June 15	10.0	1,109
Banoro	1,041	42.1	*	*	*	*	*	*
Bancen	984	23.0	*	*	*	*	*	*
Banoria	501	4.5	72.9	66.0	4.04	Aug.9	4.7	327

Source: CS First Boston.

BANKERS AND BROKERS

Braced for big changes and intense competition

Seven of Mexico's 18 banks have been privatised for $4.55bn — 11 are still on the block, reports DAMIAN FRASER

Jaime Corredor: banks are looking for cost-savings.

Progress in international capital markets

Buoyant demand for Mexican bonds

MEXICAN companies have come a long way fast since Pemex, the state-controlled oil group, re-opened the path to the international capital markets last year.

The rate of progress is clear from the lower cost of debt finance now available to top Mexican borrowers in the international arena.

For example, in February, Pemex made its second Eurodollar bond offering, a $150m three-year bond issue, at a yield spread of 320 basis points over US government bonds. By this month, the bonds were trading at a yield spread of 220 basis points over US treasuries.

Also, last month Pemex was able to launch a seven-year bond issue, the first Latin American borrower to raise debt finance of over five-year maturity since the early 1980s.

While this background is encouraging, bankers make two points:

Last month, Pemex, the oil group, was able to launch a seven-year bond issue

● There is only one Pemex, and less well-known borrowers have to pay a premium over rates paid by the state-owned oil group.

● International appetite for Mexican debt is still fragile. Demand could be vulnerable to potential over-supply of Mexican debt securities and to economic or political shocks.

Pemex's seven-year bond issue tested the outer limits of what is possible for Mexican borrowers in terms of maturity and price. In retrospect, the deal was a success. But it may only take one over-ambitious bond issue to spoil the market.

However, for the moment demand for Mexican debt is buoyant. As a track record is established, the range of borrowers able to tap the international market has broadened.

This month saw the first issue of bonds backed by Mexican mortgages, launched by Sidek, the steel-to-tourism conglomerate. Other companies to have raised international debt finance include Cemex and Banobras.

However, international bond investors are by nature cautious. For most Mexican companies, share issues remain the most viable method of raising international capital.

Equity investors have certainly been less conservative.

The range of Mexican borrowers able to tap the international market has broadened

Companies from Televisa, the broadcasting and production company, to Bimbo, the food group, to Synkro, the consumer goods company, are now planning international share offerings before the year-end.

Bankers comment that the massive $2.2bn share offering by Telmex, launched in May this year, has helped to stimulate enormous interest among equity investors.

The prospect of a free-trade agreement with the US and Canada has also focussed attention on the growth potential of the Mexican economy.

Simon London

Past international offerings

Values in US dollars; year offered is 1991, unless where stated.

- **Pemex**, Mexico's petroleum monopoly: $125m; February; bonds.
- **Vitro**, glass manufacturer: $100m, March 1991; equity.
- **Femsa**, beer and soft drinks producer: $87.5m; April; equity.
- **Cemex**, Mexico's largest cement producer: $425m, May; Eurobonds.
- **Telmex**, telecommunications monopoly: $2.2bn; May; equity.
- **Apasco**, cement producer: $50m; May; convertible.
- **Pemex**: $75m; May; bonds.
- **Tamsa**, seamless steel pipes producer: $50m;June; convertible.
- **Gigante**, food retailer: $150m;July; IPO.
- **Banobras Bank**: $100m; July; bonds.
- **Pemex**: $113, July; bonds.
- **TMM**, shipping company: $20m; August; equity.
- **Nytsa**, steel producer (subsidiary of Alfa): $130m; in three steps between April and August; Euro commercial paper.
- **Empaques Ponder**, packaging materials producer: $38m; Sept.;IPO.
- **Grupo Carso**, industrial holding: $250m; Oct.; equity.

Upcoming international offerings

Values in US dollars; year offered is 1991, unless where stated.

- **Sidek**, steel and tourism development conglomerate: $40m; from October; bonds.
- **Apasco**: $70m; end-October; bonds.
- **Televisa**, Mexico's largest TV broadcasting and production company: $500m +; aim: end-1991, likely start of 1992; IPO.
- **Synkro**, consumer goods company: $50m; November; equity.
- **Crisoba**, paper manufacturer, Mexican subsidiary of Scott Paper, $285m; beginning of 1992; equity.
- **Aeromexico**, airline: $70m; aiming at 1991; IPO.
- **ICA**, Latin America's largest construction company: $50m-$75m; beginning of 1992; IPO.
- **TMM**: $47m; October; equity.
- **Vitro**: $300m; October, November; equity.
- **Tamsa**: $50m-$70m; aiming at 1991; equity.
- **Bimbo**, packaged bread and food producer: $60m; autumn; equity.
- **Bimbo**: $100m; autumn; bonds.
- **Videovisa**, Mexico's largest video stores network, with cable TV interests: $75m; autumn; IPO.

Source: Ondine Smulders de Villalobos; Schroder Securities.

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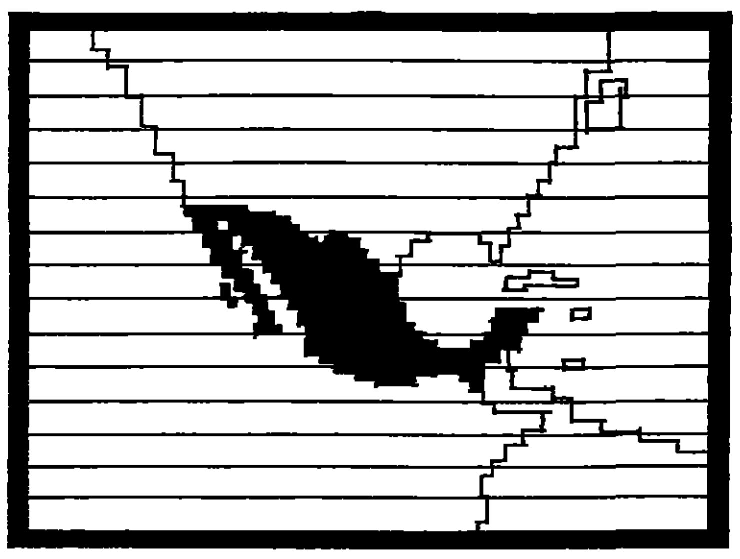

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Lessons learned from privatisation

A record-breaking sell-off programme

DAMIAN FRASER talks to Jacques Rogozinsky, the head of Mexico's privatisation unit, about the lessons learned from Mexico's massive privatisation programme

MR JACQUES Rogozinsky is a fast-talking salesman. On the subject of Mexico's successful privatisation programme he is almost unstoppable — so much so that his waiting room, like an overworked doctor's, is full of people waiting for him several hours after their scheduled appointment.

People are willing to listen, mainly because his office (along with the separate bank privatisation staff) have sold in little over two and a half years (from January 1989 to September 25 1991) 160 companies for 32,223bn pesos ($10.6bn). The subsidies the government once used to give state companies has fallen from 8 per cent of GDP in 1982 to 4 per cent today. No other developing country has come close to selling so many companies for so much money.

Some companies — such as Cafes and Cafeterias de Mexico were sold for 600,000 pesos ($200); others, such as Telmex, the telephone monopoly, and Banamex, the largest bank, went for $4.6bn (in stages) and $3.2bn respectively. While criticisms abound on the overall social and economic impact of the privatisations, there have been remarkably few technical hitches.

In the next 12 months, Mr Rogozinsky will sell Mexico's steel mills, Sicartsa and Ahmsa; Concaril, the trains and metros producer; the state film production studios; a coal mine and a shipyard; two television companies; an ocean garden in California; a capital goods, and a pipeline producer in Michoacan; some warehouses; and the remaining 11 banks. After *that*, he says he will be out of a job. Pemex, the state oil company; the electricity company; the postal services, and trains will not be privatised. Their state-owned status is guaranteed by the constitution — "Mr Salinas," says Mr Rogozinsky, "has made it clear that he is not planning to change the constitution [in this regard]".

Rogozinsky: super salesman

Asked how other would-be privatisers could learn from Mexico's experience, Mr Rogozinsky makes roughly six points:

In just over two and a half years, 160 companies for 32,223bn pesos ($10.6bn)

■ Sell the small companies before the large ones. It is more logical, he says, to make mistakes with small companies than with the large ones, and less costly. The government can also use small public sales to educate the public (and investors) that privatisation is desirable and fair. By keeping the large privatisations to the end, when confidence in the economy was high, the government was also able to sell the large companies for much higher prices than had been predicted.

■ Do not use once-and-for-all income (eg, privatisation receipts) to cover current expenditure. Mexico has been careful to separate revenues from privatisations from other budgetary receipts. Achieving balanced budgets through revenues from privatisations "fools no-one," he says.

■ Move very quickly to privatise a company once the decision to sell it has been made. When employees know a company is to be sold, morale deteriorates, says Mr Rogozinsky, and the company suffers. If the government needs to wait, it should raise morale by providing special productivity bonuses and so on.

■ Centralize the administration of privatisation in one place (ie, in an office like Mr Rogozinsky's). Otherwise different government bureaucracies can obstruct privatisation and slow down decision-making. The privatisation office delegates almost all the privatisation work to a commercial bank, but a finance ministry official, usually the secretary, becomes board chairman of the company to be privatised.

■ Restructure the large companies before they are sold, but sell small ones as they are. Would-be buyers of large companies may shy from buying businesses that require new labour contracts, liquidation of subsidies, firing of workers, environmental over-hauls and so on, especially if the political opposition makes restructuring difficult. However, it is not worth the effort, he says, to restructure small companies.

■ Lower entry costs to the bidding process to encourage more suitors. The government, wherever possible, has tried to encourage as many bidders to enter the privatisation fray, hoping that competition will push up the final price. In Telmex, the government divided the shares up in different classes, so that Mexican control could be bought for just 10 per cent of the equity (then worth $880m) — putting the company within easy reach of at least two Mexican bidders.

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FINANCIAL TIMES

INFRASTRUCTURE IMPROVEMENTS

Crucial new role for the private sector

MEXICO's public infrastructure is probably the most critical constraint on the country's economic growth. Many roads are unsafe, slow, and too small for large trucks; ports are so inefficient that the port of Houston in the US handles more Mexican traffic than all of Mexico's put together.

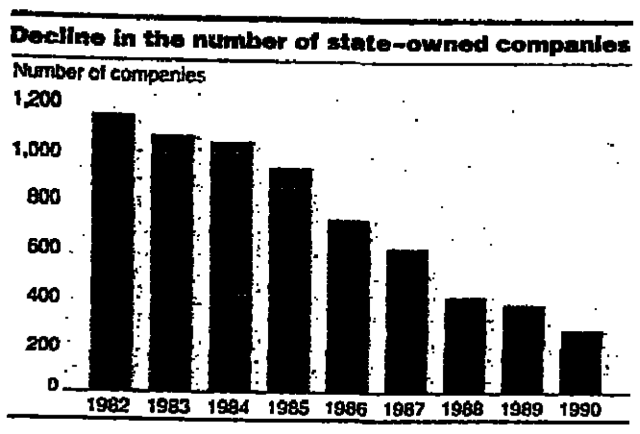
Furthermore, electrical power supplies are unreliable and insufficient; railways, and the dismal national postal services are hardly used.

Polyconomics, the US consultancy, reckons that without "immediate sharp increases in expenditures, these [infrastructure] constraints will erode Mexico's growth capacity by the end of the administration."

But private finance in these sectors is – unless Mr Salinas changes them – constrained by articles 27 and 28 of the constitution, which prohibit private ownership of these and other strategic businesses.

The Salinas administration has, however, found ways round the problem: it has managed to attract private capital and expertise, by contracting-out services, leasing property to investors for set periods, and redefining the business of the strategic sector.

Decline in the number of state-owned companies



While at best a partial solution to Mexico's inadequate infrastructure, the private money has not just helped in commercially attractive sectors, but also freed government resources for socially important public investments – such as for roads and running water in poor areas.

The back-door privatisation is most evident in the construction of four-lane highways, which has been entirely handed over the private sector.

To date, some 2,000km of toll roads have been constructed in the Salinas administration at a cost of $1,400m; in all, the government plans to offer concessions on 5,000km of toll roads, about 60 per cent of the total stock.

In every case the private contractor who builds and operates the toll road has to return the concession to the government in under 20 years. Normally, the concession is given to the group that offers *to return the road to the government in shortest time* (the toll prices are set by the government).

Similarly, the government is hoping to re-invigorate the national train and port system by letting private companies construct their own loading stations, use their own workers, and carriages.

Eventually, Ferrocarriles (the national train company) would just manage the train tracks, and locomotives. Mr Humburto Mosconi, the head of Ferrocarriles, reckons that private sector will invest $250m in railways in the near future.

Private companies can also construct their own custom-made terminals at the nation's ports. This year the government expects the private sector to invest $1bn in upgrading or building facilities at 11 ports.

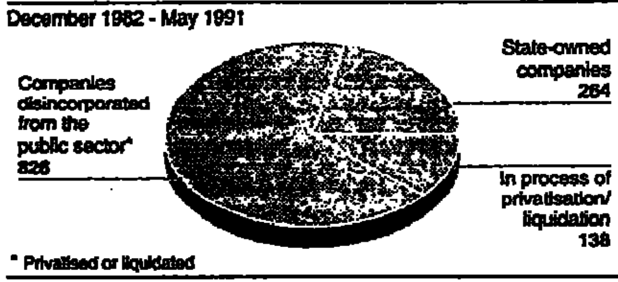
The ports themselves are *being put out to tender to private companies* while the old union-controlled companies – such as the one at Veracruz – are being disbanded.

Since May 31, when the Veracruz port was taken over by federal police, the amount of daily cargo handled has risen from 8,400 tons to 14,000 tons, according to the government.

Electricity privatisation is more complicated because the

Changes in the state sector

December 1982 - May 1991



* Privatised or liquidated

constitution does not mention ownership at all, but reserves instead generating, transmitting, and distributing to the state.

Thus, international energy companies have been able to build power plants, and lease them to the Federal Electric Commission (CFE).

Already, CFE has signed a $2.5bn contract with a consortium including France's Ahlstrom, and Spain's Mecanica, who will own but lease power plants to CFE, and other similar contracts are on the way.

In May this year the government passed a new regulation that also allowed private companies to build their own power plants, and sell excess electricity to the CFE.

According to a report in El Financiero International, a consortium of Monterrey-based companies, including Alfa's steel subsidiary Hysla, is working with Banco Serfin to investigate financing possibilities.

Even where private money is not involved, an increasing amount of government work is being contracted to the private sector.

In Mexico City, in particular, there is a drive to give as much as work as possible to the private sector.

Manuel Camacho, the mayor of Mexico City, says: "The Palace of Sports used to cost us a lot in subsidies but now it is administered by a private company – we are doing this in all fields, in transport, water treatment, partially in rubbish.."

The impetus behind this *form of partial-privatisation is* generally more pragmatic than ideological.

As Mr Camacho says, "if the private sector can do something well, let them do it. If the private sector can't do it better, let the public sector do it."

But it is slowly changing the responsibilities of the Mexican government.

Damian Fraser

Pemex, the state oil company, plans massive investment

Horizons are widening

OUTSIDE the headquarters *building of Petroleos de Mexico* in Mexico City, a gigantic bust of Lazaro Cardenas, the president of Mexico who, in 1938, ordered the nationalisation of Mexico's oil resources, glowers down on the visitor.

Cardenas is still revered inside Mexico 50 years later, and his statue offers a symbolic challenge to those who would try to change Pemex.

Even the current reform-minded administration has no plan to alter that part of the constitution which fixes ownership of oil in the hands of the Mexican state.

Historically, Pemex has been a huge integrated oil company which has done everything from the production, refining and distribution of oil, to providing schools for the children of Pemex workers, running hospitals and building roads.

At one time, this may have made sense: Pemex operated in many isolated outposts and if it had not provided education or roads, there was no other agency to do it.

This may not now be economically efficient. Even if it were, the paucity of information provided by Pemex would give no clue as to whether it is an efficient company or not.

It is certainly more efficient than it was: it has 170,000 employees, compared with about 220,000 three years ago, while production in most areas has risen.

Management has claimed the changes it has introduced so far are saving it $1bn a year.

It has also established five profit centres, and moved towards establishing a system of transfer pricing to better keep track of profitability.

Asked about Pemex in an interview, President Carlos

International links will be strengthened, says STEPHEN FIDLER

Salinas says there have been important reforms in Pemex which have not been much noticed outside, including changes to the labour contracts.

Pemex's workers have long been regarded as the aristocracy of Mexican workers. (One of the most significant moves of the early part of the Salinas presidency was the arrest of the powerful leader of the oil workers union, who was accused of having an arms cache at his home.)

Mr Salinas says, however: "We will have to go further." He adds: "We cannot afford to have an inefficient public sector entity like Pemex because that inefficiency would permeate the rest of the economy, reducing the general competitiveness of Mexico."

These further reforms would be aimed mainly at increasing the capacity of Pemex to explore, drill and produce oil, he said.

Rule changes will allow the private sector to move further into petrochemicals because "more chemicals can be produced by the private sector while Pemex concentrates on its main responsibility of generating enough oil for our country and exports as well."

But for the moment, the decision of the Pemex board of supervisors, containing members of the Mexican economic cabinet, is that the company should remain a single entity, and not be split up, as has for example its counterpart in Venezuela.

Mr Francisco Rojas, the director general of Pemex, is clear about the way he sees the oil monopoly developing. In 10 years from now, "I hope that Pemex will be very similar to the big international oil companies."

Along with the focus on oil production outlined by the president, this is likely to mean a more sophisticated outlook internationally – "our international business is small at present. Although the volumes are large, the products are not diversified. We are only just starting to do business on an international level," says Mr Rojas.

The company is investigating the possibility of buying a refinery outside the country, or a shareholding in another country to facilitate an arrangement similar to that it has with Repsol, the Spanish oil concern. The Repsol deal assured Mexico of a market for its heavy Mayan crude, while Repsol was given security of supply.

"One of our plans is to acquire a refinery or become a shareholder in a foreign oil company." Refining under Mexican law can only be carried out by Pemex, but the oil company is willing to look at more sophisticated financing options.

"Financial schemes get better every day," he says.

There have been suggestions that Pemex might use a build-operate-transfer type arrangement to finance a refinery. One legacy of the 1980s when Mexican government finance was hard to come by was an under-investment in production. Partly for that reason, Mexican reserves have been falling in recent years, now standing at 66.5bn barrels.

This was one of a number of conflicts that Mr Rojas agrees there are, between Mexico's role as an oil company, and as a big contributor to the state's finances. This lack of investment meant that Pemex did not have available to it the latest drilling techniques.

Pemex now tolerates foreign companies drilling in its territories (the first such contract is with Triton, and more are to be announced at any time). However, the contracts are so-called "service" contracts, meaning the foreign company does not gain any direct financial benefit from the oil production which results from the find.

Pemex's contribution to the national coffers are indeed huge: its earnings before taxes in 1990s were $11.4bn, of which $9.9bn went to the treasury in taxes – almost a third of all the taxes paid in Mexico and more than all the other companies in the country put together. The company is responsible for one third of Mexico's foreign exchange earnings.

With the constraints on financing lifted somewhat recently, Pemex has embarked on a similarly huge investment programme for the next five years: it plans to spend about $20bn. Some $12bn – 15bn will go into expanding production, partly to discover new fields.

The aim will be over the period to maintain sufficient production for fast-growing domestic use, while maintaining or slightly increasing exports – "we don't expect that in the next 5-10 years we will become exporters."

Francisco Rojas: looking at overseas markets

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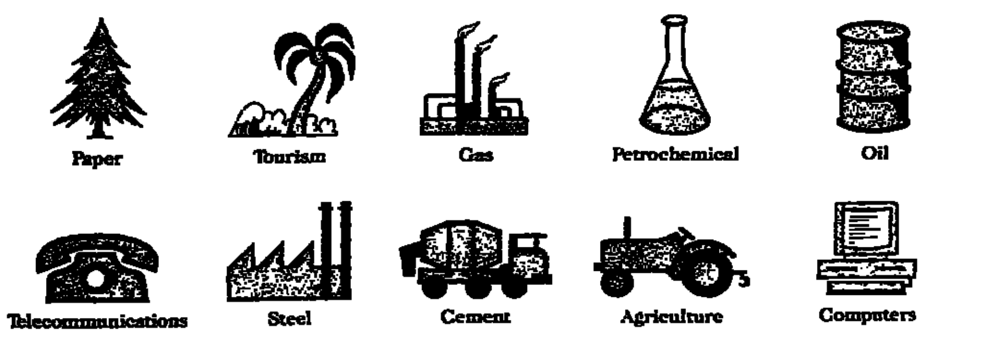

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LAND REFORM

A second agricultural revolution under way

THE PILLARS of Mexico's country's agricultural system – perpetual land reform, communal ownership of land, and government price supports – set up in the decades after Mexico's bloody 1910-20 revolution, are gradually being dismantled.

The president, Carlos Salinas de Gortari, in an interview, committed his government to agricultural reform in the next six months. On land reform, which, in Mexico, is a permanent commitment, he said: "The average landowner in Mexico has less than five hectares ... while two-thirds of those producing corn have less than three hectares of rain-dependent land.

"It shows a tremendous problem of poverty, and if we were to continue with redistributing land in Mexico, the next generation will have one and a half hectares per family. This is unsustainable: therefore the process of land reform must end in Mexico."

As Mexico embarks on a second agricultural revolution, the government will thus transform the country's agrarian reform laws, which give every Mexican the right to land, and put landowners in a perpetual state of uncertainty. The government may also remove restrictions on how land is used, increase or abolish limits on the maximum allowable size of farms, and enable corporations to buy land. As Mr Salinas said: "We must provide certainty to different forms of land tenure in Mexico, end the possibility of land reform and create the conditions for capitalisation in the rural areas".

Mr Salinas did not comment on the future of the *ejidos*, Mexico's semi-communally owned farms, that are home to some 1.8m *ejidatarios*, who

The average farmer in Mexico has less than five hectares of land

mainly produce maize. But the government is thought to be in favour of giving the *ejidatarios* the right to own their land, if they so wish; they will also probably be able to rent out their land legally to other farmers. That way, the government hopes, the average size of maize plots will increase, and the efficient farmers will be able to expand area under cultivation. The seeds of such reform have already been placed with the establishment of a series of joint ventures between *ejidos* and private companies. In the first of these, signed last May, Gamesa, the biscuit company owned by PepsiCo, supplied capital and know-how to *ejidos* in Nuevo Leon; in return Gamesa was guaranteed a supply of wheat. Another 79 pilot projects are being implemented, with some success.

President Salinas was careful not to be explicit on whether price support for maize farmers would be eliminated, and imports allowed in. Asked whether the maize sector would be opened up, he said: "That's something we are very carefully analysing, because corn production in Mexico is not only an economic activity but also a cultural one."

Nevertheless, he hinted that the government would replace price supports with targeted income supports. As he said, "that's a very, very clear possibility".

Mexico protects maize by fixing a price well above international ones; and restricting imports to the difference between domestic demand and supply at this fixed price. (In 1990, Mexico produced 14.6m tonnes of maize, 34 per cent up on 1989, in 14.6m hectares).

The government will probably decide to eliminate gradually the difference between Mexican and international maize prices, as part of the North American free trade agreement. It would use the money saved from reducing consumer subsidies, plus additional resources, and World Bank loans, to support the displaced farmers, and through rural works programmes boost the productivity of agricultural lands.

In theory, the gains would be considerable. The high maize prices ensure that some land used for maize would be better used for more productive purposes, such as Mexico's booming fruit, vegetable and livestock sector. This distortion will be particularly costly if a free trade agreement is signed, since barriers US barriers to fruit, vegetables and livestock exports are likely to fall.

An academic paper commissioned by the World Bank, by Sweder van Wijnbergen and Santiago Levy, reckoned that the cost of this distortion was such that for every $1 spent on subsidies some 42 cents was lost. Nor is the subsidy directed exclusively at helping the poor farmers. Some 40 per cent of the value of the subsidy goes to the 250,000 relatively rich maize farmers (4 per cent of the total rural workers), who sell large quantities of maize. About 1.5m maize farmers are subsistence farmers, and do not sell maize in the open market. Another 3.75m rural labourers would directly gain from lower maize prices.

The trouble is these rural workers would be hit indirectly by a fall in demand for agricultural labour caused by a reduction in maize prices. Wages may become so low when price supports are removed that as many as a million farmers could descend on the already over-populated cities.

This fear is not groundless. According to a study by INIFAP, the agricultural research centre, only about 40 per cent of agricultural land, and 25 to 30 per cent of maize farmers (600,000) in Mexico are technically efficient (that is, productivity is over 2.2 tonnes of maize per hectare).

With the right fertiliser, seeds and greater capital investment the institute reckons that the productivity of these farmers could double in less than six years (in the US,

Mexico protects maize production by fixing prices well above international levels

average productivity is 7.4 tonnes per hectare, but costs, especially labour, are much higher).

The remaining 1.5m farmers, and 60 per cent of the land, have a productivity of around 1 tonne per hectare, and, says INIFAP, the land they farm is so poor that this cannot be substantially improved. These farmers could never hope to compete commercially in open maize sector.

An even-more alarming government study concludes that at international prices the percentage of maize farmers not making the minimum wage would climb from 45 per cent to 95 per cent; and excluding their own labour costs, over two-thirds of maize farmers would not cover the costs of selling in the market.

A change in government policy on maize support thus threatens the very people who are already Mexico's poorest; about 70 per cent of those 20m Mexicans who do not have enough to eat live in the countryside. But price reform, say its proponents, would be coupled with substantial government investment in the agricultural sector and income supports: in the long-run, offer the maize farmers a way out of their poverty.

Undoubtedly, the challenge of supporting very poor farmers while the transition to a new agricultural policy is phased in will be one of the Mexican government's trickiest tasks in the decade ahead.

Damian Fraser

TOURISM INDUSTRY

Signs of recovery

IT WAS a miserable start to the year for the Mexican tourism industry. February's Gulf war came at what should have been the peak of the season, but even before then hoteliers were slashing their prices in a bid to fill empty rooms. In the first quarter, visitors to the coasts were about 12 per cent down on the previous year, and those who did turn up were hardly spending.

Since then, there has been steady recovery – "we should eventually reach about 6.4m foreign tourist arrivals by the end of the year, broadly in line with last year, which I think is good progress considering how we began," says Mr Enrique Del Val, director general of Fonatur, the state tourism development agency.

Tourism revenues for the year are estimated to reach about $3.5bn-$4bn, with the government figure at the higher end. The industry is the biggest earner of foreign exchange after oil and the *maquiladoras*.

Mr Del Val hopes for an annual 10m tourists by the end of the Salinas administration, in three year's time. Mexico's strategy for accommodating those numbers remains centred on the megaproject – purpose-built resort areas created from scratch, such as Cancun on the Caribbean Coast.

However, Fonatur is steadily reducing its role as a developer of megaprojects, even at the infrastructure level, and is working more with private developers. It seeks to confine itself to creating the masterplan, ensuring environmental safeguards, and selling both land and plan on to the private sector.

Mexico has all but dismantled limits to foreign ownership of tourism projects and on repatriation of earnings, provided ownership is vested in a trust.

Tourism revenues for the year are expected to reach $3.5bn to $4bn. The industry is the biggest earner of foreign exchange after oil

Amid this push for more investment, however, some in the industry are warning of a danger of overbuilding. This year's early downturn coincided with the commissioning of several hotels financed through the debt-equity swap programme begun in 1986, adding to the sense of gloom.

The Mexican Hotel and Motel Association urged the government to put a ceiling on the number of new hotels – a request which was promptly turned down.

"We are in a growing market and we have to compete," says Mr Del Val "We feel much of this should be decided by the market. But the individual megaproject masterplans should protect us from the worst excesses of overbuilding. We have learnt a lot from the Spanish experience and the dangers of lack of proper planning."

Mr Kenneth Prysor Jones, director general of tourism development company Grupo Situr, agrees – "Mexico is really only just beginning to develop on the tourism front and there is an overall shortage of capacity."

However, he sees problems with some of the construction that has been taking place, much of it aimed, he claims, at a market segment that does not exist – "lots of people have been building over-priced *gran turismo* rooms. The most successful hotels in the market are like the basic low-density developments south of Cancun. These are thatched huts – with drinking water and air-conditioning mind you – but people will pay more for that than Cancun's luxury hotels with ballrooms that are far costlier to develop."

There are other problems. While airline services have improved markedly since the two major carriers were privatised, those driving in from the US are still confronted with abysmal roadside services, a monopoly of state oil concern Pemex. The deteriorating image of some resorts is also a difficulty. In Acapulco, hoteliers, the state of Guerrero and the tourism secretariat (Sectur) embarked on a facelift for the resort followed this year by a $6m advertising campaign in the US.

Lakeside tranquility: a fisherman mends nets on the shore of Lake Chapala

However, Mr Prysor Jones remains confident, not least because he believes the industry's physical plant – hotels – are among the best in the world. He also sees a big future in "green" tourism, although at the softer, more pampered end of the market.

A strong pitch for more European tourists and investors is being made. In September, Mexico hosted the Eurobolsa, a three-day conference bringing together European tour operators and potential investors with the Mexican industry. Mr Pedro Joaquin Coldwell, Tourism Secretary, said afterwards that Mexico hoped to triple the contribution of European tourism to the industry's revenues by the end of the Salinas administration.

About 92 per cent of foreign visitors come from the US, says Mr Del Val, with 5 per cent from Canada and only 3 per cent from Europe.

To boost that share Mexico has embarked on advertising campaigns in Germany and Spain, each totalling about $1m – "so far, the budget is low but next year we want to spend more and to include the UK, France and Italy," says Mr Del Val.

The European market is perceived as fundamentally different from the short-stay US market, and an emphasis is being placed on Mexico as a culturally and ecologically rich destination.

Keeping the Mexican tourist at home is seen as increasingly important, and more funds are likely to be spent on this long-overlooked market in the coming years.

Ken Warn

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Monterrey: dynamic industrial centre

Exports challenge

A CURIOUS monument dominates the Macroplaza or main square of Monterrey, Mexico's most dynamic industrial centre – a huge red monolith. The structure dwarfs the nearby colonial-style church and at night emits a powerful laser beam which sweeps above the city out towards the surrounding Sierra Madre mountains and, 100 miles to the north, the Texas border.

This is not some *avant garde* monument to the Mexican revolution nor to a local hero. It is the Beacon of Commerce, built by the city's self-confident business community to symbolise its successes and contribution to local prosperity.

But as talks on a North American free trade area reach a crucial stage, the companies which sprang from Monterrey's initial industrialisation 100 years ago are faced with a new challenge.

Vitro, Mexico's biggest industrial group, has undoubtedly been among the most aggressive in preparing for the end to trade barriers.

In 1989, Vitro bought loss-making Anchor Glass in the US, becoming North America's second-largest glass container producer and last year registered over 50 per cent of its sales in the US.

Now Vitro plans to combine its consumer housewares operations with those of Corning, the US speciality glass group, in a jointly-owned business with annual sales topping $800m.

A 1987 appliances joint venture with Whirlpool of the US and technology or partnership deals with Owens-Illinois, Pilkington and Ford also attest to Vitro's international outlook.

"We have always been more export-oriented than our counterparts, even when it was unfashionable here, and I think that has given us something of an edge in the run up to the free trade agreement," says Mr Agustin Del Rio, Vitro's director of planning and economic studies.

In comparison, the company which initiated Monterrey's industrial development a century ago, the Cervecería Cuauhtémoc, has little more than a toe-hold in the US market, despite the success of its Tecate brand there. However, exports, estimated to reach about 6-7 per cent of sales this year, are growing. The rapid success of the company's 100-year-old Sol brand in the UK has encouraged it to push for new markets elsewhere in Europe.

"In 1987 we shipped 40,000 cases of beer to the UK. In 1991 we will ship 2.3m – mainly Sol," says Mr Victor Padilla, the Cervecería's export manager. "That's a strong basis for expansion."

But in its home market, of which it holds over 50 per cent, the Cervecería could be vulnerable. "There are already a lot of US beers coming in around the border area, but that just has to make us do better," says Mr Padilla. "For a long time we've rather neglected the domestic consumer, relying on our tied houses and brand loyalty to keep things going. We must talk to the Mexican consumer more."

The brewery is part of the Femsa brewing-to-soft drinks group (in turn controlled by the Visa banking and industrial holding company). Femsa also runs its own packaging and distribution operations, a legacy of the former closed economy which forced the brewery to run a fully integrated operation to bypass other company's shortcomings.

However, Mr Carlos Salazar, the new head of the Cervecería, hints at the possibility of strategic change. "I see the integrated operations as a strength. But now the economy is more open, and if, for example, someone else could give us a good price on cans, I could be interested."

Domination of the local market is also crucial to Cemex, the largest North American-based cement company. With over 60 per cent of the Mexican cement market and over 70 per cent of the market for ready mix, the company has much at stake.

The 10 per cent tariff charged on cement imports into Mexico is almost certain to fall victim to the free trade agreement eventually, but Mr Victor Naranjo, Cemex's finance director, is confident that imports will make few inroads.

"Our production facilities are close to Mexico's big consumption centres, which in general are far from borders and our coastlines. Transport costs for any competitor are going to be high, giving us a distinct natural advantage."

Cemex is looking further afield for export growth, principally to the Far East.

Across the city, executives speak also confidently of the measures in train to cut costs and increase efficiency in the new open market environment, or of the joint ventures and other links with US companies which they have formed to allow them to thrive together.

Mr Miguel Valdés, senior consultant with Arthur D. Little, the management consultants, praises the Monterrey groups' efforts to streamline and modernise, and is broadly confident over their future. However, he warns that free trade will inevitably bring about a major restructuring of product lines for many companies. "Products that can be imported from the US more cheaply will simply be dropped."

Monterrey's industrial leaders might care to drive down to the Maderera Mexicana hardware store just outside the city's modern, prosperous downtown. In May it abandoned its Mexican product lines and now almost everything from power tools to paint and lumber is imported from the US. Simpler lines such as hammers and shovels come from China and India.

The result of the change, which gives the lie to the store's patriotic name, was a tripling of sales in just three months and a permanent smile on the face of the manager.

Warning signs like this alarm Mr Ramon Alberto Garza, editor of the influential Monterrey-based daily *El Norte*. "Of course, I back free trade, but we should have done more to liberalise our own markets first. It's like after 50 years of isolation, making up our own rules as we went along, we are suddenly asked to play major league football with the US and Canada," he says.

"If I'm being optimistic, I would say we are going to lose about 70-nil. But when I'm pessimistic, I think we are just going to die on the field."

Ken Warn

Case study: Alfa, the industrial group

Bold move ahead

DOING business in Mexico over the past two decades has been a white-knuckle ride with dizzying heights and terrible troughs. Perhaps no company exemplifies this more than Monterrey-based Alfa, Mexico's second largest industrial group.

Alfa hopes to buy some of the interests of state steel concern Sidermex, now divided into three companies, which will be sold on November 19. Ironically, Alfa itself was born as a separate company at a time when the private sector felt under imminent threat of state takeover.

In the early 1970s, the government of President Luis Echeverria began to blame the private sector for many of the country's ills. Industry's sense of being under seige came to a head in 1973 with the murder of Monterrey Group chief Eugenio Garza Sada by left-wing terrorists. The following year the group was split into two units, Alfa and Visa, partly to bolster its defences against nationalisation.

Alfa was soon on the upswing, propelled by Mexico's oil boom, and borrowing and diversifying with gusto. Again, disaster was not far off. The economic bubble burst in 1981 and in October Alfa ceased payments on its $2.3bn foreign debt – the government itself soon followed suit. For Alfa, as for Mexico, years of painful restructuring and debt negotiation ensued.

At Alfa's grandiose headquarters just outside Monterrey, Mr Peter Hutchison, senior vice president for corporate finance and planning, is not perturbed at the prospect of borrowing again to finance a successful bid for some of the state steel assets – "well, it's certainly not our aim to repeat the mistakes of the past," he says. "Alfa has no intention of over-leveraging the purchase and then running into problems further down the road."

Alfa's main interest in the privatisation is the Ahmsa flat steel operation.

"We see potential for rationalising flat steel in Mexico by bringing it under common ownership," he says. "Both Ahmsa and our own flat steel operation, Hylsa, need to modernise and combining means we can rationalise product lines without having the two companies competing across the board."

Combining the two companies would also give the industry "critical mass in the new free trade environment we are headed for. Flat products have economy of scale – you need to produce at least 3m tonnes a year." Ahmsa itself has annual capacity of 2.7m tonnes.

Mr Hutchison hopes the purchase, which is by no means cut-and-dried for Alfa, would be part-financed through finding equity partners either in Mexico or overseas. In addition, debt would be raised at other levels in the group, including the group holding company, to increase the likely cash offer to the government. However, industry observers say Alfa may have left it too late to find a foreign partner.

Alfa has also been looking at the Sidermex non-flats business, Sicartsa 1, with a view to combining it with its existing operation. Analysts estimate that Ahmsa is worth around $500m-$600m, but with debts of $300m it may bring the government $200m-$300m. Sicartsa may sell for about $200m.

However, of Alfa's three core sectors, steel, petrochemicals and food, the first two are in cyclical downturn internationally. Alfa may find itself struggling to rationalise and modernise an expanded steel business as free trade with the US becomes a reality.

Mr Hutchison admits an element of risk. However, the Mexican steel industry has proposed that the removal of steel tariffs, as in the existing US-Canadian free trade deal, be placed on a slower track than some other sectors.

Nonetheless, participation in the steel privatisation would be a bold move for Alfa. It remains under fire from analysts who dislike what they see as its over-reliance on central control and lack of business focus – charges which it strenuously denies.

"Alfa could allow some of its subsidiaries more autonomy, or even spin many of them off as separate companies," says Mr Pablo Riveroll, research director at Baring Research in Mexico City.

But the fact that the government wants to sell the Sidermex companies and that Alfa wants to buy, shows what a revolution there has been in business-state relations since Alfa was formed. Mexico's business community must be hoping that this time around the revolution really is institutionalised.

Ken Warn

Motor industry revs up for growth

Domestic sales soar

MEXICO's car industry is entering new ground. The country's rapid economic growth, and record-low interest rates, have led to booming domestic sales; the *'big five' car companies – Volkswagen*, Nissan, General Motors, Ford, and Chrysler – cannot even match customer demand. But the buoyant export growth of the past decade has started to slow, as the US recession and over-capacity in the world car industry take their toll.

For the first time since 1983, the balance of payments on Mexico's automobile sector – including finished cars, car parts, assembly material, and engines – is likely to be in deficit this year. According to Grupo Atlantida, total automotive imports equalled $2.31bn in the first five months of the year, a 55 per cent increase over the same period last year, while exports grew by 36 per cent to reach $2.02bn. The automobile deficit for the year, reckons Grupo Atlantida, will reach $700m, from a surplus of $600m last year.

Similarly domestic sales of finished cars and trucks this year will probably grow faster than exports – a growth predicted at 16.2 per cent for domestic sales against 11.1 per cent for exports (down from 41 per cent in 1990), according to the consultancy Ciemex-Wefa. Domestic sales, however, will be hit hard when and if Mexico opens the *market to imports.*

For now, the Mexican car and truck market will remain two-tiered. Production of exports and domestic-bound cars are in separate plants, are made to different standards, and areaffected by different markets. As long as the Mexican economy booms, and automobile imports remain restricted, domestic-orientated production will surge. In the first seven months of the year, sales reached 380,3095 units, up 25 per cent on the same period in 1990. By the end of this year they will likely reach 640,000 units, according to Ciemex-Wefa, for the first time surpassing the 571,013 record of 1981.

Sales are likely to increase still further as capacity increases. Nissan's $1bn investment in Aguascalientes is likely to come on stream in 15 months. Until then, says Mr Shoichi Amemiya, the head of Nissan in Mexico, "we cannot sell enough cars." Similarly there is a long-waiting list for the Ford Topaz.

Most of this growth has been in the compact, and sub-compact segments. Volkswagen, with its best-selling Beetle (22 per cent of the market), and to a lesser extent Nissan, with its Tsuru (22 per cent), and Ford with the Topaz (7 per cent), have enjoyed the highest growth rates. Chrysler has concentrated on luxury cars with high margins, and has lost market-share accordingly.

In turn, as long as the US car market *remains depressed, Mexican exports* will suffer. While exports in the first seven months grew by an impressive 47 per cent to reach 185,351 units, these figures are misleading, since this time last year workers at Ford's Hermosillo plant, Mexico's principal car exporter, were on strike. Ciemex-Wefa reckons exports by the end of the year will rise to 307,48, against 276,86 last year, a 11 per cent increase. But over the same period export capacity has increased by more than sales, and export plants thus lie partly idle – yet the temporary slow down in exports has not deterred the five car companies from continuing to increase investments in export factories in Mexico.

Volkswagen, which closed down its US operations some years ago, and now supplies North America from Mexico, is thus planning to invest $800m in next four years, for both the export and domestic market.

Ford is spending another $350m upgrading its export plant at Hermosillo. GM has recently started producing the Cavalier in Mexico for export, and *hopes soon to achieve annual sales of* $350m from it.

The proposed North American free trade agreement should remove remaining barriers to exports to the US, and further boost exports. The NAFTA could end the contentious non-tariff barrier known as the "two-fleet provision." This forces US car companies to *produce some fuel-efficient cars in the* US and Canada to meet government-mandated fuel average efficiency levels for their domestic fleets.

If Mexican-built cars were considered domestic, then US car companies might shift production of compact cars south of the border. Ford, for example imports over three-quarters of the spare parts for the Mexican assembled fuel efficient Tracer model from the US, simply so the car can qualify as domestic made. If the two-fleet provision was amended, the parts could be produced in Mexico.

The two-fleet provision aside, the FTA would probably lead to Mexico scrapping barriers to foreign investment in car part manufacturers; relatively high car-part prices, according to Mr Amemiya, have increased production costs in Mexico.

The domestic market, until now protected from competition could in turn suffer in the event an FTA was signed. This year every dollar Mexican-based car companies spend on an imported car (for which they have to pay a tariff of 20 per cent) has to be matched by $2.50 in exports, a ratio that falls to $1.75 in 1994. Further, Mexico limits total auto imports by a company to 15 per cent of total auto sales.

Without such restrictions, Mexico's domestic car market would be extremely vulnerable to foreign competition. Mexico's domestic sales of 600,000 units a year are divided among 10 models – leading to small, generally inefficient product runs. Mexican car prices are substantially higher than in the US.

Before Mexican consumers rejoice, all this may be far off in the future. The US big three car producers are in no hurry to knock Mexico's trade barriers down, and will demand that cars have a high *North American content* (from 70 to 80 per cent) to be eligible for free trade. Since these three multinational companies are sitting on both sides of the negotiating table in the upcoming trade talks, the transition to free trade is likely to be a long one.

Damian Fraser

ENVIRONMENTAL PROBLEMS

A glimmer of hope

Many problems remain intractable, says KEN WARN

MEXICO CITY is considering delaying the start of the school day until 10am, to keep children out of the worst of the winter morning smog. Teachers' union leaders are pressing for an even more radical shift – moving the main school holiday from July-August to December-January.

Meanwhile, the introduction of oxygen booths, first mooted in March, may be about to begin in earnest.

Amid these signs that the city is bracing itself for another winter of choking, eye-burning smog, Mr Sergio Reyes Lujan, under-secretary for ecology, staunchly defends the government's environmental record: "The main goals of our programme for fighting air pollution in Mexico City, which were devised almost a year ago, have already been achieved."

He cites cuts in lead levels due to reduced lead content in petrol, reduced sulphur dioxide emissions through switching from fuel oil to natural gas in thermo-electric plants, and cutting the sulphur content of diesel.

Buses are either being replaced or fitted with new, cleaner engines, and soon almost all new cars made in Mexico will have to be fitted with catalytic converters.

The city's $2.5bn programme aims to cut total emissions, estimated at over 5m tonnes annually, by 37.5 per cent in the next 2½ years. International financial organisations and the Japanese Eximbank are providing over 40 per cent of the funding.

Yet many problems remain intractable. Car-owners are banned from using their vehicles one day a week. But some drivers have simply bought additional cars to get round the restrictions, which *are otherwise strictly enforced.* Fuel consumption figures are rising, despite the ban.

Even Mr Reyes admits one crucial area where no progress has been made – ozone. During more than 300 days last year, ozone levels exceeded the safety levels set by Sedue, the *ecology and urban development ministry*, and there is little prospect of any early improvement.

"We are in a closed valley at 7,500 feet above sea level, we have more than 2.7m cars and over 16,000 industrial establishments. We also have plenty of sunshine, which converts the pollutants into ozone.

"If you built a giant laboratory to produce ozone, it would look like Mexico City," he says.

The problem is intensified in winter by thermal inversions when cooler air in the upper atmosphere traps the warmer, polluted air below, often for days at a time.

Sometimes this calls for drastic measures. This March an emergency order was issued forcing about 60 plants to cut production by half after air pollution reached what the city authorities called "very dangerous" levels.

The same month President Carlos Salinas de Gortari ordered the permanent closure of the state oil company Pemex's giant 18 de Marzo refinery in the city.

The move, long-sought by environmentalists, cut the country's refining capacity by 100,000 barrels day at the cost of over 5,000 jobs.

Mr Manuel Camacho Solis, Mexico's City's regent, is looking for fresh approaches to complement this reliance on regulation and presidential order – "I think the market can help us most," he says.

"The curbs on vehicle circulation have helped, but finally the problem is one of supply and demand and we have to see how we can modify fuel consumption. Otherwise it will be impossible to put a brake on ozone."

His team is looking into the possibility of differential petrol pricing between Mexico City and the rest of the country.

The rising relative costs of living and working in Mexico City may also be starting to have an impact, bolstering the government's half-hearted decentralisation policies.

The city's population growth has fallen from 7 to 3 per cent, while some industrial centres and ports are registering growth rates of 6-7 per cent, according to Mr Camacho.

Outside the capital, concern over industry's poor environmental record focuses on the 2,000-mile US-Mexican border.

Pollution ranges from smoke from firewood used by workers and their families for cooking and heating to toxic chemicals issuing from the *maquiladora* manufacturing plants that have sprung up along the border.

Mr Reyes admits that controls in the past have been lax and that Sedue has lacked the resources effectively to police the *maquiladora plants.* But 100 new inspectors have just been appointed, he says, half in Mexico City and half for the *maquiladoras.*

The border region is also the subject of its own environmental plan, now being finalised by *US and Mexican negotiators. It* may be presented to both presidents early next year.

Mr Reyes claims Sedue is being tough with industry nationwide – "since 1988, we have inspected more than 5,000 industries in Mexico, closing more than 1,000. Of these, 100 have not been allowed to re-open."

However, environmentalists remain sceptical of Sedue's efforts. Mr Homero Aridjis, the writer and founder of the environmental organisation *Grupo de los Cien*, says: "Sedue lacks the capacity to cope with our *existing industrial problems* and the FTA, without strict environmental guidelines, will only make matters worse.

"They are also too secretive. They say such-and-such an industry was closed yesterday. But you can't find out *why* or *what* changes have been made to allow it to re-open."

Sedue itself is about to be re-organised, but probably not according to Mr Aridjis's liking. Many of its powers are to be devolved to state and local level, and some functions, such as water testing, are likely to be privatised.

The contract to advise the government on the reorganisation, which will be financed by an $88.1m loan from the World Bank, is out to tender, with management consultants Arthur D. Little among the bidders.

But lack of resources looks set to continue to bedevil the environmental effort. The country has over 6.2m hectares (about 2.8 per cent of the territory) of its most representative habitats under protection through a system of national parks, reserves and "biospheres." Protecting even these specially designated areas is proving difficult.

Sedue admits that the situation is now critical in the Lacandona jungle in the southwest, considered to be one of the world's richest areas in terms of species variety. Inappropriate agricultural use and over-logging are threatening the region's ecological balance.

Sedue, convinced that debt-for-nature swaps are unlikely *to provide more than token* finance, is seeking $35m from the World Bank to help protect 18 key areas, ranging from *tropical forest to desert.*

Nissan plans $1bn plant

NISSAN MEXICO is held up as a shining example of Japanese investment in Mexico. The company has 19 per cent of Mexico's automobile market, *just behind Volkswagen; in the* first half of this year Nissan sold 42,677 Tsuru's, second only in popularity to the VW Beetle. Nissan is now investing $1bn in a state-of-the-art plant in Aguascalientes, that – when ready in 1993 – will boost annual production by *100,000 vehicles a year.*

Nevertheless, Mr Shoichi Amemiya, head of Nissan Mexico, has few encouraging things to say about doing business in Mexico. In an interview, he said "it was a total illusion that the Japanese want to come to Mexico."

Japanese investment in Mexico, he notes, is just $1.6bn (over which investment by Nissan is over half) about 0.05 per cent of total overseas Japanese investment. Take away Nissan investment, he says, and the figure falls to 0.02 per cent – about, he notes with some pleasure, the same insignificant percentage of Japanese tourists that come to Mexico.

The proposed North American trade agreement he believes "would not stimulate Japanese investments": indeed, he adds, if a Nafta led to high local-content rule for goods eligible for free trade, then Japanese investment would fall.

Mr Amemiya was derisory about Mexican labour productivity, saying it was "very hard to believe Mexican labour gave you cost-advantages; on the contrary," and that "Mexico cannot compete with new dragons in Asia."

In Mexico, he explains, Nissan requires numerous supervisors of workers, which was unnecessary in Japan. Quality can only be maintained by rejecting cars. Costs, because of high interest rates, and large inventories, are high. He calls for a reform of Mexico's labour laws which grant strikers half-wages. A Mexican strike, "is a paid vacation," and the labour law "a big cancer for Mexican industry... "no work, no pay," he believes.

Unsurprisingly, he demands that the Mexican car sector be given 10 years or more to integrate with the US and Canadian market. On the subject of the local-content rule guiding free trade, he is strongest of *all: a 70 per cent rule of origin*, proposed by US car companies, is "totally out of the question."

Damian Fraser

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MEXICO 8

Damian Fraser looks at progress on the North American trade talks

Landmark event holds high promise

THE Mexican-US-Canadian free trade agreement could be a landmark event. It promises to lock-in many of the economic reforms of the administration of President Carlos Salinas; to open up Mexico to new flows of foreign investment; to bury years of antagonism to the US; and even, in the opinion of the historian Enrique Krauze, to "spur the transition to democracy" in Mexico.

The agreement, however, first has to be reached. So far, the signs are encouraging. Mr Salinas, in an interview in mid-September, said an treaty could be signed early next year. He said the negotiations were at their "most important stage, the most intense, the most difficult."

Senior Mexican government officials are already saying that they are prepared to scrap Mexico's restrictive foreign law, one of the principal US demands. Nevertheless, Mr Salinas highlighted three important areas of negotiation, which appear not to have been resolved:

- The period over which tariffs are phased out.
- Rules of origin, that is rules concerning product origin.
- Dispute mechanism procedures.

On September 19, the negotiators from the US, Mexico and Canada, meeting in Dallas, for the first time exchanged tariff reduction proposals. Trade officials from Mexico have said that the tariffs will be reduced in three stages; immediate; medium-term (say, 5 years); and long-term (10-15 years). An anonymous trade official quoted in the newsletter *Free Trade Advisory* has said that the US proposed a fourth stage of 15 years or more.

The US, said the newsletter, would place 56 per cent of US tariff schedule in the first category for immediate reduction to zero, but this would include some 50 per cent of goods that already enter duty-free under the General System of Preference.

Another 9 per cent of export classifications would be reduced to zero in five years; and a full 35 per cent in the third and fourth categories. The US, it suggested, may want to put textiles, glasswares and citrus fruits in this fourth category.

This is undoubtedly an opening gesture; the final accord, if there is one, is sure to be more generous. Mr Herminio Blanco, quoted in the newsletter, said that the reduction in tariffs need not be symmetrical. As he said, "perhaps it would better for the US to go to zero on those tariffs where it is ready and we are probably not ... while we may be ready to go to zero on other tariffs where the US is not ready."

For example, Mexico could let in US fruits and vegetables free of tariffs, while slowly reducing tariffs on maize; the US, vice versa.

The trade agreement "could even spur the transition to democracy" in Mexico, says historian Enrique Krauze

The negotiations over tariff reduction depend in part on the progress in the GATT round of trade talks, in particular on the status of the Multi-Fibre Arrangement (MFA), which limits developing country exports into the US and other industrial nations. The US textile industry appears unwilling to support the Nafta until the future of the MFA is resolved.

For their part, the Mexican willingness to reduce tariffs on US and Canadian maize imports will depend on whether agricultural subsidies are reduced in the GATT. If no GATT agreement is reduced, then the Mexicans may want to give the maize sector more time to adjust to competition.

However, it has been pointed out that agricultural subsidies in the US and Canada act to reduce production and raise prices, so their removal may not help the Mexican farmer.

On rules of origin, the negotiators have already made some progress. Products will be considered "North American" if the raw materials which they comprise switch tariff classification after arriving in North America.

For example, a sofa made of Brazilian wood and Indian textiles, but constructed in Mexico, would be "North American," since the wood and textiles changed tariff classification by becoming a sofa.

In some difficult cases, the three countries will revert to using "percentage of regional content" – defined as the value of regional materials plus local manufacturing costs as a percentage of total cost – to determine whether an item is North American.

The specific percentages will vary from product to product, but not from country to country.

The battle over rules of origin will be toughest over the car sector. Both Canada and the Mexicans have their own auto decrees that link imports to domestic production (in Canada's case) and to exports (in Mexico's).

The US and Canada force car companies to produce fuel-efficient cars at home to meet government-mandated fuel standards. Mexican car parts manufacturers are protected by stiff local content rules facing domestic car producers.

So far, there is no agreement on cars. The big three US companies want a high domestic content of 70 per cent; the Mexicans, worried that this would deter investment by non-American car companies, would like a lower local content rule. The Canadians do not want to give up their auto decree – but if they don't, neither will the Mexicans.

The three governments appear also not to have reached agreement over dispute mechanisms and safeguard procedures.

According to the well-informed newsletter of Grupo de Economistas y Asociados, the Mexicans would like to put in place safeguards that they will enable them to re-introduce tariffs in a sector which faces a "crisis in the balance of payments," irrespective of the cause.

The US, on the other hand, only wants to allow snap-back tariffs in certain goods, and only when the plants risks going out of business.

In addition, the US wants to maintain its current anti-dumping rules, which the Mexicans consider a non-tariff barrier.

The final issue which may cause friction is over the banking system. The Mexican banks are in the process of being privatised, and the government would like to give the sector time to consolidate.

Both Canadians and Mexicans are unhappy about allowing national treatment of banks, since it would allow the US to operate freely in their countries, whereas in the US, under current law, a Mexican or Canadian bank would only be able to operate in one state.

Despite these differences, Mr Herminio Blanco, the chief Mexican trade negotiator, has said that the text of the treaty could start to be written after the trade ministers from the three countries meet in Zacatecas, Mexico on October 26.

Mr John Negroponte, the US ambassador to Mexico, has said that a draft agreement could be ready by January.

The fate of the treaty would then be in the hands of the US Congress.

Jaime Serra Puche, Mexico's trade minister: optimistic

Tough new law to help prevent torture and rural violence

Human rights still a hot political issue

ON a recent trip to California, President Carlos Salinas was followed by students demanding that he stop torture in Mexico.

In September, both America's Watch and Amnesty International published reports vehemently critical of the Mexican government human rights record. In Mexico, new human rights organisations are being set up all the time. Long ignored, the Mexican state's abuse of human rights has finally become a central political issue.

America's Watch concluded that "rural violence, in particular, unannounced forced evictions of peasants from their homes by police, working in co-operation with local rural bosses, is ongoing...the Salinas administration has not reversed Mexico's long-standing impunity for those who commit human rights abuses...the use of torture by federal and state police...is no less prevalent now than it was a year ago. Amnesty International was no less harsh: "Despite the government's public prohibition of torture, and a series of legal and administrative initiatives, almost anyone arrested is at risk. Torture remains endemic in Mexico."

Mr Salinas, stunned by similar criticisms after the murder of human rights activist and university professor Norma Corona a year and a half ago, announced a series of reforms that he hoped would improve the situation. He set up the quasi-independent National Human Rights Commission, which could investigate crimes and make recommendations; he ruled out as admissible evidence confessions that are not made in front of judge; and he removed some of the officials linked to abuses, most notoriously Javier Coello, head of the anti-drugs division in the federal police.

International human rights groups have welcomed the latest reform plans

Since then, he has removed the ineffective Attorney General Enrique Alvarez del Castillo, from his post, and replaced him with a reform-minded lawyer Ignacio Morales Lechuga, who has started to restructure the federal police's office.

On October 16, Mr Salinas backed plans – broadly welcomed by human rights groups – to give the National Commission for Human Rights greater autonomy and to pass a new law for the prevention of torture. This would toughen penalties for those guilty of such abuses and force the ban on the admissibility of confessions made in the absence of a defence lawyers and officials of the Public Prosecutor's Office.

Earlier reforms – while good on paper – have failed to impress many activists because abuses continue, and most of the perpetrators go on working in government. The murder, in 1988, of one of Cuauhtemoc Cardenas's closest aides, Francisco Xavier Ovado, remains unsolved; so do those that of another left-wing activist, Jose Ramon Garcia Romez; of the three Venezuelans and a Mexican lawyer, whose deaths Norma Corona was investigating; of the three "Quijano" brothers killed by Federal Judicial police outside their house; and of scores of other cases.

The murder of Norma Corona, that sparked off much of the outrage, reveals much about the state of Mexican justice. On February 22 last year, three Venezuelans and a Mexican lawyer were abducted from their house by agents who identified themselves as federal police, and appear to have been driving a federal police car.

On March 12, Mr Coello Trejo, then head of the anti-drugs division of the federal police, announced that the bodies had been found. The four men had been tortured; their bones were splintered, rib cages crushed, internal organs destroyed, and tire marks found on their bodies. A suspect had confessed to driving the car; the murder was allegedly committed by drug-traffickers in revenge of another crime. Norma Corona, nevertheless was skeptical and investigated the crime. On May 21, she, too, was murdered, but not before she had relieved threats from whom she believed were the judicial

Earlier reforms, while good on paper, have failed to impress many activists

police. Once again someone confessed to the murder (to the Judicial Police, who – although the prime suspects – were investigating the crime) although the motive was unclear.

On September 27, the National Human Rights Commission produced evidence that lead to the arrest of Mario Alberto Gonzalez Trevino, a commandant in the federal police working under Mr Coello, for Norma Corona's murder.

While conducting the investigation into Norma Corona's death, Mr Gonzalez is alleged to have tortured a suspect into confessing the crime; to have held another witness for a ransom of $1m; to have been involved in the mysterious killing of another police officer investigating the crime.

Mr Gonzalez now languishes in jail (until the case comes before the court) which, if he is guilty, would be a sign of progress. But by promising to abolish impunity in the federal police force, Mr Salinas has set himself a hard task which he may not able to enforce.

Damian Fraser

Profile: Manuel Camacho Solis, the regent of Mexico City

A master of the conciliatory approach

MEXICO'S next president will be chosen in an election in July 1994.

If tradition is any guide, President Carlos Salinas will in fact point to his successor some time before then – in a process known as the *dedazo* ("a touch with the finger"); that person, invariably a member of the president's cabinet, will almost surely win the election, and become the next president.

The minister who seems to have the best chance to receive the *dedazo* is Manuel Camacho Solis, the 45-year-old regent of Mexican City. Mr Camacho, wary that previous front-runners have fallen rapidly from the president's favour, insists that the "subject of presidential succession is still too far away. What is responsible is to finish the reforms in Mexico City."

Still, Mr Camacho, of all the members of Mr Salinas's cabinet, has the most impeccable presidential credentials. He is a close friend of the president, stemming from their days together as students at the National Autonomous University of Mexico.

At 19, he was secretary of relations of PRI's national youth directorate; and, since then, had worked steadily up the government hierachy, becoming environment minister in 1986, and briefly head of the PRI in 1988.

He has also long been a member of Mr Salinas's team, and worked under him when the president was budget minister. In eight years he has built up a great array of contacts, often in the dirtiest parts of Mexican politics.

Like the president, he studied in the US, and has a masters degree in public administration from Princeton. For eight years he was a part-time lecturer in international relations at the Colegio de Mexico, Mexico's best-known graduate school. He has written extensively; his essay, "The immediate future," which criticised organised labour's role in Mexican politics, was acclaimed when published in 1980.

Manuel Camacho Solis, the regent of Mexico City, could be the next president of Mexico, says DAMIAN FRASER

But it is his success as regent of Mexico City that has made him the man to beat. When Mr Camacho became regent, Mexico City, in his words, "was like a black tunnel. There were street demonstrations, 100,000 people protesting, increasing pollution, major structural problems with water and land ... and serious tensions with all the political forces." Three years later, and those political tensions have largely disappeared, even if most of Mexico City's structural problems remain.

Mr Camacho attributes his success to his conciliatory approach and rapport with the people. As he says, "all the decisions that were taken, were not just consensus decisions, but unanimous ones with the opposition, so this reduced the tensions."

Mexico's regent, for example, reached an accord with opposition parties before Augusts mid-term elections, that helped ensure that the vote in Mexico City, in contrast to many other parts of the country, was free of accusations of ballot-rigging. Before making any important decision, such as building an extension to the metro, Mr Camacho carries out an opinion poll. This conciliatory approach also paid dividends electorally; the PRI won all 40 of the directly elected seats in Mexico City, and increased its share of the vote to 45 per cent from 28 per cent in 1988.

Mr Camacho's greatest strength, says a former colleague, is that "he knows the power of power and is not afraid of exercising it." During the Gulf War, for example, Mr Camacho took centre-stage, attended rallies in favour of peace, sent letters to every house in Mexico City explaining what the war meant – and thereby, say his supporters, helped defuse potentially violent anti-war demonstrations.

The counterpart to his love of exercising power is that he is, as he himself says "a man who knows how to use the market, but is not afraid of government." A former colleague amplifies: "He believes less in limited government than anyone in the economic committee of the cabinet."

Mr Camacho, although he studied economics, is a political scientist and historian; unlike his main rivals to the presidency, he shows more interest in the writings of Karl von Clausewitz than those of David Ricardo.

The regent has tried to rebut criticisms that he does not support some of the market-based reforms of President Carlos Salinas, or that his economic team is inexperienced. Earlier this year he appointed Professor Javier Beristain, one of Mexico's best-known mainstream economists, as head of Mexico City's finances. Mr Camacho said the "appointment has had a big effect because I was telling the economists of the country that I co-incide with the policies they are undertaking."

Nevertheless, Mr Camacho distances himself from the some of economic ideologues in the cabinet. On economic austerity, he says "you can do it both ways. One is to publicise your adjusting and the other one is just to do the job and use the resources for other purposes ... [But] don't applaud and make a big fuss about it. That's one of the reasons we had so many electoral problems in 1988".

Mexico City's regent, like most Mexican politicians is extremely conscious of Mexico's past and the need to preserve the country's national identity. Asked if he was worried that a free trade agreement will change Mexico's foreign policy, he said: "I think there are two different things; one is how markets evolve, how the economy increases its productivity, its competitiveness and the other is what you do with your institutions, what you do with your identity, and culture.

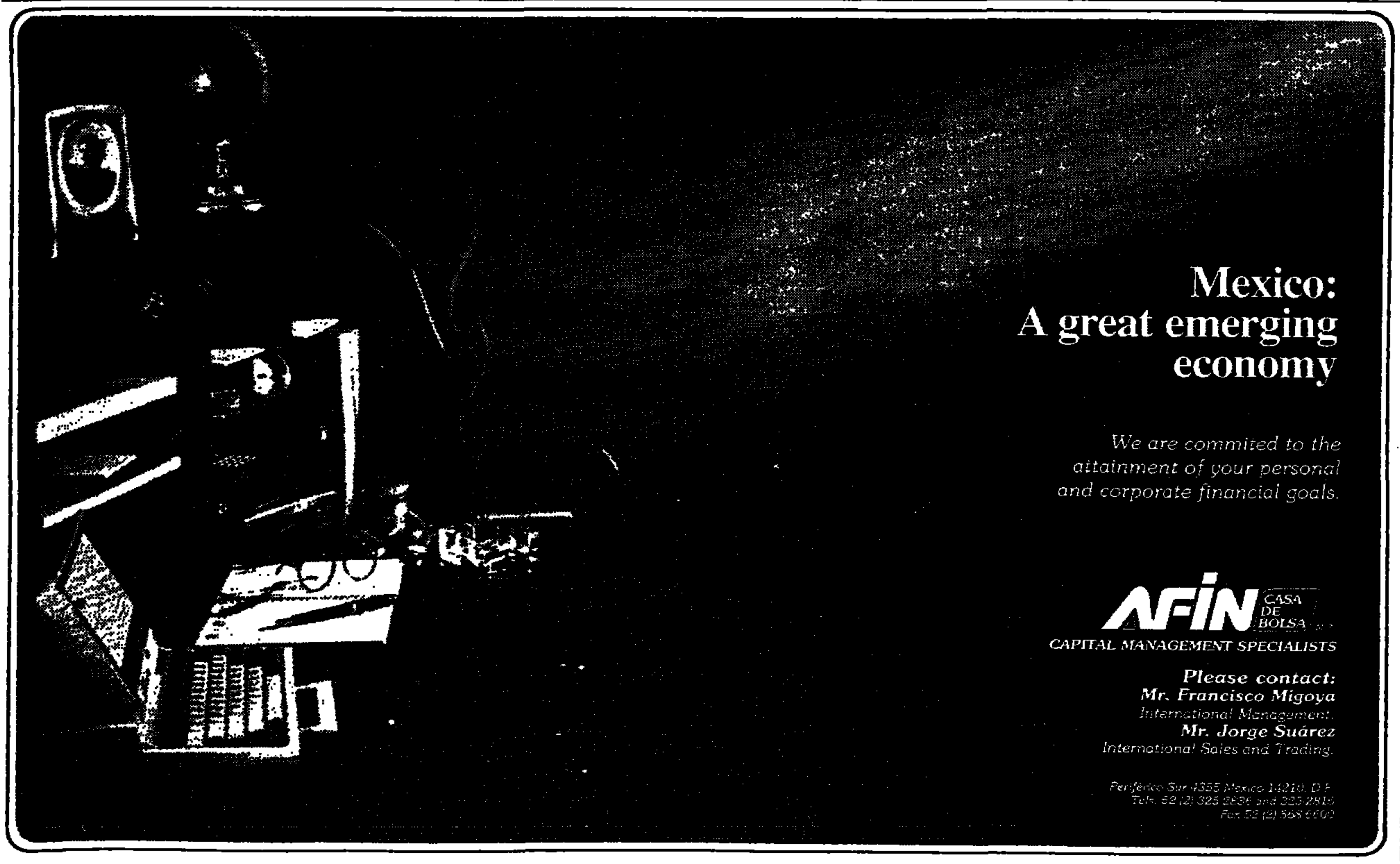
"I don't think that the price of being competitive should be to lose our identity. But I think we can do both."

Mr Camacho is less abrasive than Mr Salinas, and more afraid of making enemies. If president, he may thus be less

'Mr Camacho's greatest strength is that he knows the power of power and is not afraid of exercising it'

radical; as a former student of his remarks, "I don't know if he has the capacity to take bold decisions like Salinas has" – especially those that are unpopular. On the plus side, he will, if president, probably try and heal the ruling party's bitter confrontation with the Party of Revolutionary Democracy that has lead to hundreds of deaths since 1988.

As befits an academic who has written on political reform, he seems he seems more interested in changing Mexico politically than Mr Salinas has been. As he says, "Without political advances and respect for human rights, the Mexican model will have problems."



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RECRUITMENT

JOBS: Controversy about the value of specialist knowledge at highest level of management

The importance of being expert

ASSUMING that any sizeable organisation needs someone to head up its personnel activities, which of the following two candidates would readers pick for the job? Neither of them, by the way, has had such senior executive responsibility before.

A who, although fully aware of business realities, is primarily a personnel professional with the characteristic attitudes and skills of that specialism highly developed by success in managing the various aspects of personnel work.

B who is primarily a business manager with the attitudes and skills typically developed by running operations in sales and production, and so on, but whose knowledge of personnel issues is the rough-and-ready sort picked up in line management as distinct from the deep professional kind.

My reason for putting that question about the two contrasting candidates is a growing argument about the value of deep specialists in top management. What excites doubt about their worth there, however, is not their expertise as such, but its tendency to be linked with professional attitudes apt to result in divided loyalties.

The nub of the doubters' case is that, amid increasingly turbulent and competitive conditions, the only proper concern of a company's leaders is to act quickly and concertedly in accordance with the objective needs of the situation. If the necessary swift agreement is to be reached, each member of the top management team must be seen by all the rest as adding value to the bottom line. Professional traits at odds with that central concern are a handicap, especially now detailed specialist services can be hired in to order from outside.

Misgivings about such divided loyalties are not confined to deep specialists in personnel. Similar doubts have been expressed about people likewise steeped in the details of accountancy, marketing and so on. But I am focusing on the personnel variety as the only case in which I have data on what the supposedly counter-productive professional traits may be.

The evidence is from Cambridge Recruitment Consultants which has been studying the differences between two types of personnel managers. The first consists of those who – not only in its own judgment, but in the independent view of employing businesses – have what it takes to be members of the top executive team. The others are staff who, while effective in specialist personnel work, are not considered up to the broader and more pressing demands of senior management.

So far the study has covered about 190 of the latter "specialists-only" group, and 40 of the "supra-specialists" deemed fit for, if not already promoted to, the top team.

Both sets have been put through two well established tests. One is the Cattell measure of personality traits. The second is the Watson Glaser test of critical thinking, claimed to be a better gauge than standard IQ tests of the intellectual powers needed in management because it assesses a wider range of reasoning skills.

The supra-specialists booked for the executive heights proved brighter in Watson Glaser terms than the specialists-only. Which is doubtless how things ought to be.

The personality-test findings, however, were not so appropriately clear-cut. Both groups turned out to be warm-hearted, outgoing and people-orientated, liking to work in participative style. True, the 40 supras were more self-assertive and willing to take risks. But they nevertheless shared with the 190 specialists-only a trait which, given that top management needs to be swift acting, seems ill fitted to the senior role.

It is that, when faced with problems, they markedly prefer thinking up solutions to actually pushing them through. Worse, as well as being poor at taking tough action themselves, they find it hard to work harmoniously with colleagues of more decisively active character.

Hence the evidence of the tests is that folk who come up through the personnel specialism, even when intellectually powerful, tend to be short of the so called "tough poise" viewed as increasingly essential at the highest level. Hence too the Cambridge consultancy's argument that in such cases, except where the deficiency can clearly be remedied by training, companies would do better to give the top personnel job to bright managers from other backgrounds who have the tough poise, although lacking deep understanding of the activities they are heading.

That is not to say Cambridge Recruitment sees in-house personnel specialists as no longer needed. They will become more important, it believes, especially in attracting, motivating and keeping staff with scarce skills. Even so, under a tough business executive who carries clout with like-minded top colleagues, the professionals will be able to work more effectively at lower management levels.

But the Jobs column, at least, is far from persuaded. For one thing, if personnel specialists are loth to take swingeing action in their field, I doubt it can be because they are somehow by nature unrealistically soft. The reason may be that their professional focus has taught them a realistic lesson which has not yet penetrated the tough skulls of many line managers – to wit, that it is unwise to treat people like so many machines.

For instance, when they have been scrapped in large numbers and otherwise economised on during a recession, those remaining cannot be expected to work as well as ever when markets revive. Research has long shown that cuts are apt to have an enduring de-motivating effect, continuing to push morale down long after trade has picked up.

A specialist personnel chief who knows as much may tax the nerves of recession-bound top colleagues by insisting they should soften the action they want to take. But if a compromise ensues that keeps the company alive while shortening the downward plunge of morale, the result could be a hard competitive edge when times improve.

Moreover a new study by the research consortium European Values Group shows employees are becoming more demanding in what they see as acceptable treatment from their bosses.

The study, made last year of over 10,000 people in Britain and 10 other countries in western Europe, follows up a similar survey in 1981.

The latest results are to be outlined at the UK Institute of Personnel Management's annual conference tomorrow by Stephen Harding of International Survey Research.

There can be no doubt what is happening, he says. Although the development is farther advanced in some areas than others, Europeans at large are increasingly concerned to have a job that gives them a sense of personal fulfilment.

"The trend," he adds, "is towards a more professionalised workforce both more committed to work and more demanding of involvement in the running of their companies."

However tough-minded a top executive team may be, Dr Harding believes that such changes cannot be productively resisted. If you want to know why some companies manage their human resources to competitive advantage, he says, the answer does not lie just in the policies and practices that make them efficient, but in "a deep understanding of the values which guide and motivate the people in the first place."

Which would seem to argue for more personnel expertise at the highest level, not less.

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Applications, enclosing a *curriculum vitae*, which will be treated in strict confidence, should be sent to:-

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Group Personnel,
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POLAND

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Salary will be commensurate with experience. The package will reflect the expatriate nature of the role and will include relocation expenses.

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McGraw Hill, McGraw-Hill House,
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Personnel manager,
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ACCOUNTANCY COLUMN

Urgent issues that lie beyond the ASB's remit

By Raymond Hinton

WE ARE on the threshold of a new era in financial reporting. The Accounting Standards Board has announced an ambitious agenda and has just published its first Financial Reporting Standard, on cash flows.

The many parties associated with the establishment of the Financial Reporting Council and the ASB can feel justly pleased with the response to the groundswell for reform of reporting practices in the UK.

But we are expecting too much from these new bodies. In particular, there are some important reporting issues requiring urgent attention, which either can only realistically be changed by government and regulators or where the efforts of the ASB would need to be buttressed by such authorities.

The issues are the frequency and content of interim financial reporting, the timing of financial reporting generally, and the reporting and disclosure of critical business facts, risks and uncertainties.

Interim financial reporting practices are arcane. The information is so scant and the timing in many cases so poor that the vast majority of investors can have no real current basis for investment decisions.

In few areas of business practice is the contrast between UK and US practice more stark than in interim financial reporting. US listed companies have for many years provided both profit and loss and balance sheet information on a quarterly basis and make quite frequent trading commentaries when actual trading is at variance with the market's expectations. While this latter practice is growing in the UK, such trading commentaries are still the exception.

Listed companies should move to quarterly profit and loss reporting. The need for such information has been dramatically illustrated by the rapid changes in the fortunes of business sectors and individual companies in the economic turmoil of the past several years. The present system whereby shareholders have but the briefest snapshot of operations between annual reports is almost delusive. The vast majority of listed companies already have accounting systems that would permit such reporting and where such systems are lacking, the need for quarterly reporting would prompt the necessary improvements.

The issues are the frequency and content of interim financial reporting, its timing and the reporting and disclosure of critical business facts, risks and uncertainties

The need for interim balance sheet information seems overwhelming. It should be provided at the half-year and eventually on a quarterly basis. How can we begin to approach any notion of an efficient market in securities with no current information on such critical balance sheet amounts as cash, borrowings, stocks and capital investments?

The usefulness of financial information is affected by not only how often it is presented and its content but when it is available. The most comprehensive financial statements available many months after the year-end are inevitably less useful than more timely statements.

The annual financial statements and interim statements of listed companies should be published much sooner. The present Stock Exchange requirement of six months for listed companies is too long. While most large listed companies broadly report within three months of their year-ends, many do not and where these are concerned, shareholders have to wait for quite protracted periods. It is hard to believe that companies that report substantially later than three months from their year-ends do not have the basic operating data.

Similarly, the present Companies Act filing requirement of seven months for plcs and ten months for limited companies is unduly lax. The vast majority of companies have this information available much earlier and a more timely requirement of, say, six months would not be an undue burden to most.

Next, we must move to more open financial reporting, by improved reporting and disclosure of results, critical business facts, risks and uncertainties. This could be achieved by improved management commentary on financial results (known more generally as "management discussion and analysis"), better disclosure of risks and uncertainties and by better discussion of future prospects.

While some listed companies provide extensive commentary on their operating results, many companies provide only the barest commentary on their financial performance. There *should be a requirement for much more detailed management commentary* on results of operations and balance sheet changes. The groundwork has been laid by the expanded segmental information required by SSAP 25. What is now needed is perhaps a "code of practice" for the comprehensive presentation of business results to be promulgated by the Stock Exchange, the FRC or ASB.

Current reporting practices convey little regular information on critical business facts, risks and uncertainties. While the outcome of such facts, risks and uncertainties of the past are conveyed in current financial statements, little is done to convey such factors before the event. Such disclosures would embrace not only industry, product and geographic information and but also information on such matters as sales to big customers, order backlog data, industry exposures, foreign exchange exposure, restrictions on cash balances, information on bank facilities and, in certain circumstances, banking covenants.

Why should management allow analysts and others to comment to a select few when they themselves could provide far more authoritative and definitive commentary?

The information that would be useful is the sort that is frequently included in brokers' analyses of big companies. Why should management *allow analysts and others to comment* to a select few when they themselves could provide far more authoritative and definitive commentary?

The ASB has recently inquired whether "*management discussion and analysis*" should be added to its agenda. The answer is an unequivocal yes and it should be near the top of the agenda.

Lastly, management should provide better information on future prospects. The Companies Act calls for commentary on "future developments" in the directors report, but *few companies really respond*. While guidelines for the disclosure of prospective information will eventually evolve, management could do much now to highlight the material future trends, events and uncertainties that are significant to the business. They should indicate how these differ from *previously reported information* and what the effect might be on future operating results.

The changes outlined above cannot be accomplished without the aid of government, the Stock Exchange and others. And finally, auditors have an important role to play in these *changes if* users are to receive consistently credible information. They should therefore be prepared to provide some assurance on interim statements, on management's commentary *on results and on the disclosures of* critical business facts, risks and uncertainties, subject to the development of professional standards and an appropriate delineation of duty of care for these new roles.

The author is chairman of the UK professional standards committee of Arthur Andersen & Co.

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Thames Valley
c£45,000 + fully expensed car

Our client is one of the world's fastest growing high technology groups. In the last decade, its outstanding success and profitability can be attributed to an innovative product base and its penetration and dominance in the international market place.

The company has a strong and stable management team who have identified, as a part of the strategy for continued expansion, the need for a highly commercial international tax adviser.

The individual will take responsibility for a broad range of UK and *international tax issues including advising on* acquisitions and disposals, business reviews, international cash flows, reorganisations and compliance. There will also be considerable scope to get involved in other related business areas such as treasury and general financial/commercial management issues.

Candidates capable of fulfilling this demanding role will be highly motivated individuals who display a high degree of commercial awareness and will have demonstrated initiative and achievement in their current position. Applicants must have at least three years' corporate tax exposure and a grounding in international tax. There will be real *opportunities to move into other areas of the* business in the medium term.

Interested candidates should contact **Amanda Lawton, Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LH. Tel: 071-831 2000. Fax 071-831 2612.**

MP
Michael Page Taxation
Specialists in taxation recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

• CIVIL • STAFF •

FINANCE MANAGER – FORENSIC SCIENCE

£27,799 p.a. – £30,823 p.a.

An unusual environment in which to use your skills

At the Metropolitan Police Forensic Science Laboratory, we have gained an international reputation for our innovation in helping London's police to combat crime and provide impartial evidence to the courts. To ensure an even higher quality of service and the best value for money, we have now created an interesting opportunity *for a highly self-motivated individual in the position of Finance* Manager.

Your role will be to advise our Managers on the financial information systems to meet their requirements, as well as to take responsibility for their implementation, development and management from day one. In addition, you will provide a wide range of accountancy advice to our Managers in order to enhance their commercial and financial skills.

A qualified Accountant, you must be a full member of one of the CCAB bodies and be able to demonstrate excellent communication and managerial abilities. Previous experience of central government and private sector accounting would be an additional advantage, as would a sound knowledge of asset valuation, costing, pricing, budgetary and stock control.

In return we can offer an attractive salary of £27,799p.a. – £30,823p.a., together with a generous package of benefits. *Relocation expenses may be payable.*

To *apply please telephone* Amy Beckley *on 071-230 2347/2835* for an application form and further information. Alternatively, write to her at the Metropolitan Police Service, *Civil Staff Personnel*, Room 101,105 Regency Street, London SW1 P 4AN.

Closing date for receipt of applications is 22 November 1991.

We are an Equal Opportunities Employer and welcome applications form suitably qualified individuals regardless of race, religion, sex or disability.

METROPOLITAN POLICE

Employing over 16,000 people, the Metropolitan Police Civil Staff is one of London's largest employers: providing comprehensive and essential administrative, professional, scientific and technical services throughout the capital.

Finance Manager

North West England c.£30,000+Car+Benefits

▪ *Our client, a civil engineering utilities company, has enjoyed a recent past of rapid growth and progressive diversification. From a turnover of under £3m in 1986 the figure is now nearer £30m and the market place suggests that the rate of growth will quicken through the 1990's.*

▪ *In such an environment of challenge and change the company now seeks a commercially-minded Finance Manager capable of ensuring the smoothest running of the Finance function whilst contributing significantly to the business as a whole.*

▪ *Experienced in contracting industry with strong financial and management accounting skills including contract costing and a familiarity with a range of systems, the successful candidate will be a qualified accountant, probably aged 30-45, with the capacity to establish credibility throughout the organisation.*

▪ *Traits of maturity, flexibility and practicality must be complemented by excellent communication skills, business acumen and a commitment to team work.*

▪ ***If you feel that you can help to maximise the potential of this existing business, please send career and personal details quoting reference F/502/B to Paul Bailey, Ernst & Young Corporate Resources, Lowry House, 17 Marble Street, Manchester M2 3AW.***

ERNST & YOUNG

FINANCE DIRECTOR

South West ***circa £32,500 + Car***

This company is a cornerstone in a division of a £billion turnover plc in the engineering industry. With a turnover of £15 million, profitable and employing several hundred staff throughout the UK, the company is well poised to take advantage of the impending economic upturn.

The operating style is tough and "hard-nosed" with a strong emphasis on tight cash management, financial controls and discipline requiring a strong and clearly focused Finance Director.

You will provide a high level of financial support by way of analysis, planning and forecasting of real and potential business scenarios with considerable input to the commercial management of the business in its totality. You will be expected to take a wide ranging interest and active participation in all facets of the business with any financial implication.

The successful candidate will be a qualified accountant aged 34-42 with considerable experience in engineering manufacturing companies – most likely to be subsidiaries of large companies. With a team of 20 staff, good man management and leadership skills are vital – indeed essential, as future prospects may well include promotion to an MD's role within the group.

Some preference will be given to candidates already based in the West/South West.

Please submit your resumé in application to:- Wayne Thomas, Wheale Thomas Hodgins plc, 9 Unity Street, College Green, Bristol BS1 5HH.

WHEALE THOMAS HODGINS PLC

TAXATION SPECIALIST

UPSTREAM OIL INDUSTRY **WEST OF LONDON** **£ HIGHLY ATTRACTIVE + CAR**

The post is based in an attractive riverside setting. Our client, a UK based Group, has an enviable profile in its sphere of operations. Rapid growth in its global activities has built upon its position at the forefront of the industry and it now stands poised for further expansion.

Within the Taxation Department there now exists an opening for a PRT Specialist to take on a challenging and demanding assignment. The role will deal predominantly with PRT issues, although it is expected that there will also be exposure to corporation tax matters.

Ideally you will have gained considerable experience of oil industry taxation and should possess the drive and enthusiasm to enable you to continue your career within the Group.

As well as a highly attractive salary you will be eligible for the full range of benefits including company share and pension schemes. Where necessary, a generous relocation package is available.

To discuss this exceptional opportunity further please contact Graham King or Christina Beales on 071-379 3333 (Fax 071-915 8714), or 071-226 4557 (evenings/weekends) or write enclosing a detailed CV to Robert Walters Associates, 25 Bedford Street, London, WC2E 9HP.

ROBERT WALTERS ASSOCIATES

LONDON WINDSOR BIRMINGHAM BRUSSELS ANTWERP AMSTERDAM

FINANCIAL ANALYSIS MANAGER

Coulter Electronics Limited is the world's leading manufacturer of particle counting and sizing instrumentation used extensively in the medical and scientific fields.

Reporting to the Director of Finance, the Financial Analysis Manager will be responsible for the preparation of Statutory Accounts including footnotes, the installation of a lease accounting system and the preparation of special financial analyses, budgets and forecasting . The successful applicant will be a fully qualified Accountant, with at least 5 years' responsible experience, and have excellent PC and M.I.S. skills.

The position offers an unusual opportunity for personal development.

In return we offer a competitive salary, permanent pensionable employment, five weeks' holiday, private medical insurance, good sickness benefits, subsidised canteen and the kind of conditions to be expected from a progressive Company.

If you would like to be considered for this position, please telephone for an application form or send a comprehensive c.v. to

Peter Woods
Director of Company Resources
COULTER ELECTRONICS LIMITED
Northwell Drive, Luton, Beds. LU3 3RH

Luton (0582) 491414

Finance Manager - Operations

Global Service Group

West London **c. £35,000+Car+Benefits**

This major international group is regarded as a leading worldwide player in a highly competitive growth industry. Its complex and diverse operational centre continues to play a vital role in providing a substantial contribution to group profitability.

There is an immediate requirement at operational HQ for an astute and dynamic finance professional to join the management team.

Leading a professionally qualified team, your brief will be to ensure that optimum levels of efficiency and profitability are maintained through the provision of incisive and accurate financial reporting.

This will include:

- evaluating a multi-million capital investment programme;
- ensuring ongoing budgetary control within a fast-moving and complex environment;
- enhancing the quality of financial information systems;
- liaising and negotiating with external organisations;
- identifying profit improvement opportunities.

Aged 28-35 and a graduate qualified accountant, you will have experience of progressive reporting techniques preferably gained within a manufacturing or process environment. Excellent interpersonal and presentational skills, strong financial acumen and proven management skills are essential attributes. Prospects for progression within this changing and stimulating environment are outstanding.

Interested applicants should write, enclosing a full CV to James Hyde at the address below, quoting reference 083J.

ST. JAMES ASSOCIATES

MANAGEMENT SELECTION

32 OLD BURLINGTON STREET, LONDON W1X 1LB FAX: 071-287 2821. TELEPHONE: 071-287 2820.

A GKR Group Company

Johnson & Johnson

MEDICAL
PLANT FINANCIAL CONTROLLER
c £30,000 + BONUS + CHOICE OF CAR
YORKSHIRE DALES

In the worldwide consumer, medical and pharmaceutical markets, Johnson & Johnson has reached and sustained an enviable level of excellence. With a turnover of $ 11 billion, and with sales in over 150 countries, our reputation for success through innovation is a much envied factor. The site in Gargravo is to be the cornerstone of a new strategy for Europe. A substantial investment programme is underway to extend the plant for consolidation of all UK medical franchise manufacturing.

Due to intra-group promotion we are looking to appoint an ambitious, qualified Accountant to lead a small team and account for £35 million annual expenditure. The company uses a fully integrated standard costing system and familiarity with advanced costing techniques will be a distinct advantage. Accuracy of product costs is essential and plant activity is monitored continuously.

Aged mid 20's to mid 30's, you will be a qualified Accountant - preferably CIMA/ACMA - with the ability and willingness to communicate at all levels from shop floor to Board of Directors in addition to working closely with Operations Management.

This is an opportunity to join a Company with a reputation for outstanding excellence, with considerable emphasis being placed upon individual and career progression.

Other rewards include; excellent pension scheme, private mileage, free family BUPA, five weeks holiday and generous relocation package to this beautiful part of the country.

Please telephone or write for interviews which will be conducted during November, throughout the UK, to:-

CROSSLEY HOUSE RECRUITMENT LIMITED

DAVID RAWLINS
CROSSLEY HOUSE RECRUITMENT LIMITED
CROSSLEY HOUSE, BELLE VUE PARK
HOPWOOD LANE, HALIFAX
WEST YORKSHIRE HX1 5EB
Tel: 0422 341680 / 321490

Price Waterhouse

EXECUTIVE SELECTION

Group Finance and Administration Director

c.£50,000 package + car **West of Scotland**

Seagram Distillers Plc is one of Europe's leading drinks companies and is a major division of the North American Seagram Corporation.

A 1990 Queen's Award for Export company, the brand portfolio includes Chivas Regal, The Glenlivet malt whisky and distributorship of corporate brands Martell Cognac, Mumm's Champagne, Sandeman Ports and Sherries.

As a result of retirement planning the company seeks to appoint a Director designate. Reporting to the Managing Director and responsible for the direction and control of the group finance and administration functions, key elements of the job are:

- taxation and strategic financial planning
- treasury and related funding activities
- preparation of group statutory accounts
- company secretarial and legal activities.

This is a wide ranging role which requires the intellect to grasp and direct complex and varied issues and a genuine interest in the workings of the branded drinks industry. Excellent communication skills and a high degree of personal presence are essential.

Likely to be a CA aged 40-50, candidates should have experience in an international group and will currently be working at or near finance director level ideally in manufacturing or the drinks industry.

Salary is negotiable and should not be a restricting factor for the right candidate. Other benefits will be in line with a position of this seniority.

Please write, quoting Ref MCS 8924 and enclosing full career and salary details to:
Mark Hartshorne
Executive Selection Division
Price Waterhouse
Management Consultants
Livery House
169 Edmund Street
Birmingham
B3 2JB

Price Waterhouse

EXECUTIVE SELECTION

Finance Director (Designate)

£30,000+car **Gloucestershire**

Our client, an engineering, manufacturing company is part of a well known multi-national group. With a turnover of £20m, a large proportion of which is export, they are keen to explore new opportunities for future growth and see finance making an important contribution. A Finance Director (Designate) is sought to work closely with the Managing Director in controlling existing operations and determining the strategic direction of the business.

Joining the senior management team, you will assume full responsibility for the provision of a disciplined and proactive finance function servicing both Group and senior management. In addition you will carry out company and secretarial duties. The main areas to address initially include costing, pricing and computerised systems and you will be expected to demonstrate an ability and willingness to operate effectively beyond the confines of your function.

You will be a qualified accountant (CIMA/ACCA), aged early 30s, with experience of leading an operational finance function in a manufacturing environment. You will possess the ability to review and analyse financial information critically and have used computerised systems/ spreadsheets extensively. Strong interpersonal skills and high level of enthusiasm are essential as is the ability to establish personal credibility at Board level. Knowledge of export procedures would be very advantageous.

An attractive salary package will be negotiated with the successful candidate.

Please write stating concisely how you meet the reqirements and enclose a full CV with salary details, quoting reference MCS/ 1091 to:
Sue Lane,
Executive Selection Division
Price Waterhouse
Management Consultants
31 Great George Street
Bristol
BS1 5QD

ROBELL CAPITAL MARKETS LIMITED

FINANCIAL DIRECTOR

£Neg

Robell Capital Markets is a successful, niche, equity derivatives specialist providing investment advice to European institutional investors. Our continued growth and development has created an exciting opportunity for a Financial Director.

We currently seek an ambitious and highly motivated qualified accountant with a minimum of 3 years post qualification experience. The ideal candidate will probably be 28-35, a graduate, and speak a second European language. A Merchant Banking or similar financial background would be a distinct advantage.

The successful applicant will be responsible for all aspects of financial control and implenting successful financial strategies. Other key tasks will include the maintenance and development of our in-house compliance systems, taxation, and liaising with the appropriate government departments and regulatory authorities.

Additional future plans include the creation of a full mergers and acquisitions function within the niche/specialist framework at Robell, with the new team member taking a leading role in its development.

Interested Applicants should write to Anthony Wade, enclosing a comprehensive CV together with full salary details, at;

Robell Capital Markets Limited
99 Gresham Street
London
EC2P 2BR

All replies will be treated in the strictest confidence.

CJA

RECRUITMENT CONSULTANTS GROUP

3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 071-588 3588 or 071-588 3576
Telex No. 887374 Fax No. 071-256 8501

UK FINANCIAL SERVICES SUBSIDIARY OF A SUBSTANTIAL AND RECENTLY FORMED EUROPEAN GROUP LOCATED IN THE WEST END OF LONDON

Our client is keen to meet talented, motivated and enthusiastic candidates in their 20s/30s who have a hands-on approach and want to work within a small committed team for the following roles:

TRADING CONTROLLER

c£40,000

Likely to be a qualified Accountant, you will have gained extensive expertise in the financial control of international security trading activities, and be thoroughly familiar with the associated SFA reporting requirements. Ref: TC4814/FT.

SETTLEMENTS CONTROLLER

c£35,000

You will have gained expertise in Settlements procedures, particularly European, and be able to ensure that all aspects of this function are properly controlled and monitored. Ref: SC4815/FT.

CORPORATE ACCOUNTANT

c£30,000

Probably a qualified Accountant, you will have wide ranging responsibilities for all aspects of the Corporate Accounting function and management reporting requirements. Ref: CA4816/FT.

Candidates should apply immediately as our client wishes to have these key positions filled as soon as possible. Applications in strictest confidence in writing, quoting the appropriate reference, to the Managing Director:

CAMPBELL-JOHNSTON ASSOCIATES (MANAGEMENT RECRUITMENT CONSULTANTS) LIMITED, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE 071-588 3588 or 071-588 3576. TELEX 887374. FAX: 071-256 8501.

WEST MIDLANDS

Leigh Environmental

c £50K +EXCEPTIONAL BENEFITS

Director of Finance

Leigh Environmental Limited, presently the major operating subsidiary within the £100m turnover Leigh Interests PLC Group, is receiving continually increasing demand for its waste management services based on high technical standards and the quality of service offered.

In order to cope with the on-going development of the company, a new position of Director of Finance has been created to give added support to the Managing Director whilst at the same time ensuring that the management of change is kept well under control. Accent in the position will be placed upon the maintenance and adherence to group accounting routines, the further development of appropriate controls and systems, acquisition reviews and integration, together with a strong input into the commercial decision making process.

You will be a graduate chartered accountant of around 35-40 with a commercial approach, excellent communication skills, a sound knowledge of computerised information systems, who can demonstrate the ability to progress quickly and manage change. *Strong technical accounting skills* are required and you should expect to adopt a "hands-on" approach when necessary.

Please send full career and personal details in confidence to John Elliott at Coopers & Lybrand Deloitte Executive Resourcing Limited, 43 Temple Row, Birmingham B2 5JT, *quoting reference JE213* on both envelope and letter.

Coopers & Lybrand Deloitte | Executive Resourcing

NORTH WEST

c £45,000 PACKAGE + CAR

Finance Director
Industrial Services

Recently acquired by a £250 million turnover UK public quoted group, this profitable and autonomous subsidiary provides a range of industrial services through a nationwide network of regional offices. Organic and acquisitive growth from the current turnover of £20 million is anticipated.

Reporting to the Managing Director and a member of a small dynamic board, you will be responsible for all aspects of financial management and information technology. Your initial tasks will include the implementation of controllership disciplines throughout the organisation and the development of appropriate management information systems. As a key member of a small executive team, you can expect considerable involvement in the establishment and implementation of corporate strategy and the commercial management of the business.

As a qualified accountant with an excellent track record of achievement, you will have operated at Finance Director or equivalent level, preferably in a customer-driven service environment. You will have strong staff management skills and experience of financial control in *a multi-location environment would be an advantage.* Above all, you will have the drive, enthusiasm and positive attitude to quickly make an impact.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Peter Jones, Coopers & Lybrand Deloitte Executive Resourcing Ltd., Abacus Court, 6 Minshull Street, Manchester M1 3ED, quoting reference P220 on both envelope and letter.

Coopers & Lybrand Deloitte | Executive Resourcing

Controller - Planning & Analysis

Major UK Multinational

West London | MBA/Accountant | c. £50,000+Car+Benefits

This prestigious international services organisation is recognised as a world leader renowned for its financial strength and innovative marketing. Its relentless commitment to fulfil and achieve customer-driven demands of service and value is testimony to its pre-eminent position in this competitive, global marketplace.

There is a need for a comprehensive financial support service to the sales and marketing function, consistent with the growing needs of an expanding organisation.

This demanding and high profile role will require leadership skills and analytical ability of the highest calibre. Managing a large and committed team, principal responsibilities will include:

- evaluation and appraisal of product/brand initiatives and marketing strategies using incisive financial modelling techniques;
- compilation of annual operating budgets and business plans;
- identification and implementation of profit improvement opportunities;
- review of capital expenditure proposals using rigorous investment analysis.

Aged 33-40, a qualified accountant and/or MBA, the successful candidate will have experience of high level financial support to a multinational sales force and sales performance assessment. He or she will also have *first rate presentation skills,* an astute commercial mind and be a good motivator and team player with experience of managing change.

Success in this high profile role will bring opportunity to progress in a fast-moving environment.

Interested applicants should write enclosing a detailed CV to **James Hyde** at the address below, quoting reference 084J.

ST. JAMES ASSOCIATES

MANAGEMENT SELECTION

32 OLD BURLINGTON STREET, LONDON W1X 1LB FAX: 071-287 2821. TELEPHONE: 071-287 2820.

A GKR Group Company

FINANCE DIRECTOR DESIGNATE

With Company Secretarial Experience

LANCASHIRE | **c £30k + Car + Benefits**

An outstanding opportunity exists for a commercially aware Financial Manager to join a reputable manufacturing company in the North West. Sound leadership qualities, good communication skills and the ability to contribute at strategic levels are as vital to this organisation as the ability to adopt a "hands-on" approach.

Reporting to the Managing Director and working closely with the Production Director, responsibility will be to direct and control the finances of the company. Particular emphasis will be on capital employed, stock control, standard costing, budgetary control, cash management and company secretarial issues.

The ideal candidate will be 30+, have a *recognised accounting qualification* and be able to demonstrate a proven track record or success within a manufacturing environment. This is *an excellent opportunity for an* enthusiastic and innovative manager, to contribute to the development of a thriving independent company.

In the first instance, please send your cv, in confidence to the company's consultant, **Sarah Meadows at Gayton Graham Limited, 94 London Road, Leicester LE2 0QS.**

GAYTON · GRAHAM

RECRUITMENT ADVERTISING · SELECTION · SEARCH

Finance Manager

High Technology Manufacturing Cambridgeshire, c £36,000, Car

This high technology company, part of a major international group, is a market leader in its field, with a current turnover in excess of £200 million, 80% of which is exported. Reporting to the General Manager, and based at their main UK Manufacturing facility, the Finance Manager will head the finance function of a complex business with a large product range. Key tasks include the preparation of management and statutory accounts, product and job costings, budgeting, variable analysis and forecasting. Age will not be a critical factor, although it is unlikely that candidates under the age of 30 will have sufficient experience. However, you must be a professionally qualified accountant, with a track record of at least five years management experience in a progressive manufacturing environment. Individual strengths should include a strong systems background, a thorough understanding of cost systems, and the ability to streamline, improve, and interpret monthly management information. The company actively practices a total quality and continuous improvement culture, and this position represents a significant career opportunity for the individual who can flourish in this environment, and make a substantial commercial contribution to this important business. The normal large company benefits are offered together with relocation assistance where appropriate.

Male or female candidates should submit in confidence a comprehensive c.v. to, *M. Stein,* **Hoggett Bowers plc,** *Brunswick House, 61-69 Newmarket Road,* **CAMBRIDGE,** *CB5 8EG,* **0223-324441, Fax: 0223-323250,** *quoting Ref: F21009/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, EDINBURGH, LEEDS, LONDON, MANCHESTER, NEWCASTLE, WINDSOR and EUROPE

COMPUTER AUDITOR

WEST LONDON | PACKAGE TO £35,000 + CAR

Guinness PLC is one of Britain's ten largest companies, with almost 24,000 employees, a turnover in excess of £3 billion and a record of exceptional profit growth.

World best-selling brand names like Johnnie Walker and Gordon's Gin form part of the group's enviable portfolio of prestigious brand names sold in over 200 countries. And of course Guinness itself is unquestionably the world's most celebrated stout.

In order to support our worldwide business operation, Guinness has a well established centralised Group Audit department, ensuring that the control processes within the group are effective and appropriate to business needs. Due to internal development we need to recruit a highly self-motivated computer auditor to join a team of young audit professionals.

Based in West London, you will report directly to the Head of Group Audit. For this high profile project based role, in-depth experience of at least some of the following areas would be advantageous:

- UNIX/VMS/AS400
- Networking/Communications (local and wide area)
- Software evaluation and implementation
- Management of projects
- CAAT
- Manufacturing/Distribution systems

The successful applicant is likely to be a qualified ACA, with a minimum of 2 to 3 years post qualification experience, although applications from candidates with a strong IT background would be welcome. Candidates must possess strong inter-personal and communication skills, commercial awareness and the ability to provide intelligent solutions whilst working under pressure. Fluency in a second language would be a distinct advantage as there will be considerable opportunity to travel abroad as well as in the UK. In addition, well-developed report writing and presentation skills are essential to the role.

This is an exciting and challenging opportunity for an ambitious accountant/IT professional who wishes to further develop his/her business expertise. Benefits include a highly competitive salary, depending on qualifications and experience, a company car and BUPA. Relocation assistance will be offered where appropriate.

To apply please write enclosing a full curriculum vitae, to Head of Personnel, Guinness PLC, 39 Portman Square, London W1H 9HB.

GUINNESS PLC

Finance Director

........with a leading provider of further education

North Midlands | c £50,000

With 12 sites, 550 full-time employees, a diverse range of courses and around 25,000 students in total, our client is one of *the largest colleges of its kind in the* UK. As it prepares to become an accountable and legally independent institution, it is also aiming to be the first to obtain Part 1 BS5750 registration and is now seeking to strengthen its senior management team with this key appointment.

In a newly created position that reports to the Director, *your role will* be to provide the College with efficient financial management, establishing a sophisticated Finance Department and helping to generate more income. In particular, you will be expected to introduce *and fully develop appropriate financial systems,* improving the flow and quality of management information and strengthening controls in all aspects of the operation. You will also be heavily involved in the *financial planning process, contributing* to the continued growth and strategic development of the College.

Probably aged 32-45 and with a professional qualification in Accountancy, you should be energetic, *flexible and influential, enabling you to thrive in a* changing environment. As a "team player" with a proven ability to motivate people, you will be a senior financial manager with obvious commercial awareness and a demonstrable empathy with the aims of an educational institution. A background in either the public or private sectors will be considered and the ideal candidate will have experience of both.

In return, there is a highly competitive remuneration package which will include relocation assistance, where appropriate.

This is a rare opportunity to manage change in a forward-thinking institution. If you can maximise the financial potential of our client, then please write in *confidence to Jonathan Warnock, enclosing your* career and salary details and quoting reference JW/966.

KPMG Selection and Search

7 Tib Lane, Manchester M2 6DS

Senior Auditor

Add a global dimension to your expertise

Reading, Berkshire | **to £28,000 + car**

As a major international oil and gas company, our commitment to continuing expansion is unrelenting, *as demonstrated by* our current turnover of some £9 billion and operating profit of over £300m. To help us consolidate and continue this success, we now need a young, ambitious accountant to join our E&P *audit team.*

You'll be involved in the internal review of company systems and the audit review of operating partners in oil and gas joint venture developments, involving travel overseas and in the UK.

A qualified accountant with at least two years' relevant post-*qualifying experience, preferably gained with the oil and gas* industry, you must be familiar with current audit techniques and spreadsheet packages. As you'll be working away from base, you must possess the motivational ability to work effectively on your own initiative.

Salary, in the range £22,600 to £28,000, is supported by *excellent large-company benefits including* car, profit sharing and sharesave schemes, five weeks' holiday and pension. You will be based at our prestigious new offices in Reading and generous relocation assistance will be provided where appropriate.

Please write, quoting reference GP/11463/031/FT, to Ruth Walker, Recruitment Administration, British Gas plc, Heron House, 326 *High Holborn, London WC1V 7PT. Closing date for* receipt of applications 1 November 1991.

An equal opportunity employer

British Gas

Abu Dhabi National Oil Company (ADNOC)

ADNOC, one of the major Oil Companies in the Middle East, has immediate opening in its Projects Directorate. We are seeking qualified and experienced candidate for the following position based in Abu Dhabi City:

PROJECTS ACCOUNTING SUPERINTENDENT

To direct, supervise and effectively control the activities of Projects Accounting Department. Candidate should be capable of identifying, development and implementing financial control systems and procedures. Should have knowledge of personnel computers and computer based systems for use in Financial applications.

The successful candidate should be qualified ACA/CPA/CA with at least 12 years experience, 4 which is supervisory position in Project Accounting with a reputable firm with intensive experience in PC's financial applications.

ADNOC's attractive compensation + benefits package includes Tax free remuneration, family accommodation, furniture allowance, medical care, annual leave, passage for employee and eligible dependents and educational assistance for eligible children.

Interested candidates should forward their C.V.'s to:

Human Resources Division Manager
Personnel Directorate
Abu Dhabi National Oil Co. (ADNOC)
P.O. Box : No. 898 - Abu Dhabi - UAE
Fax No. 661384 - Telex No. EM 22215

THE SCOTTISH OFFICE

Director of Financial Systems Edinburgh: to £35,000 plus bonus

The Scottish Office at the centre of Government in Scotland, oversees public expenditure of £11 billion annually. As Director you will head a small team being established within our Finance Group to take control of the various systems developed for delivering financial information to support diverse business needs.

You will be a professionally qualified accountant with a sound background in the effective use of large-scale Accounting Systems and related IT. You will have taken responsibility at a senior level for delivering financial information within a major organisation. Leading staff handling each of the main information systems, you will be expected to build a Financial Systems Unit which ensures these systems are properly understood, managed to utilise their full potential and enhanced to improve the quality of financial information available to The Scottish Office.

This is a challenging and demanding role. You will be expected to demonstrate the ability to manage resources and develop staff together with the intellectual and personal qualities necessary to operate at a senior level within the Civil Service.

The appointment is for a limited period of 3 years with the possibility of extension.

Salary will be in the range £30-35K, but more may be available for the exceptional candidate. In addition a performance-related bonus may be paid.

For an application form (to be returned by 11 November 1991) and further information contact Miss C Carlin, The Scottish Office, Personnel Division, Room 408, 16 Waterloo Place, Edinburgh EH1 3DN Telephone 031-244-3805.

Interviews will be held in Edinburgh.

The Scottish Office is an equal opportunity employer.

FINANCIAL ACCOUNTING MANAGER
International Asset Management Group

c£34,000 + Car + Generous Benefits Package

City

Our client is a newly formed subsidiary of a major international finance group and intends to establish itself as a leading fund manager in the UK. The company will manage an initial portfolio of £13 billion.

This is a key appointment, reporting to the Financial Controller and with responsibility for the financial control over the investments, back-office, property and corporate accounting functions. You will supervise a small professional team and be expected to develop practical and efficient routines and systems and provide an active contribution to the establishment of a highly progressive finance function within this new and exciting environment.

You will be a qualified accountant, aged 27-34 ideally with exposure to the investment industry and the personality and potential for further career development within the Group.

For a confidential discussion please call **Neil Wax** or **Brian Cognet on 071-387 5400** (out of office hours on **0923 819298**) or write to Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.

FINANCIAL SELECTION SERVICES

DRAYTON HOUSE, GORDON STREET, LONDON WC1H 0AN.
TEL: 071-387 5400. FAX: 071-388 0857

FINANCIAL CONTROLLER

FINANCIAL SERVICES

SAGA SERVICES LTD.

C£30,000

Saga Services a fast growing financial service company, part of the Saga Group of companies based in Folkestone, Kent seek a qualified and suitable experienced Financial Controller, reporting to the General Manager. This opportunity arises due to expansion of the company.

The appointment offers the chance to join a company at an exciting time in its development. The successful applicant will be responsible for the full accounting function, improving financial controls, developing the management reporting systems and be expected to make a major contribution to the overall management of the company.

You will be a qualified accountant, have strong analytical and personal skills, and have gained experience in the financial services industry.

Please apply in writing enclosing full c.v. to:
A Wilson, Group Personnel Manager, Saga Group Ltd,
The Saga Building, Middelburg Square, Folkestone, Kent.

SAGA

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action against homelessness

DIRECTOR OF FINANCE, PERSONNEL AND ADMINISTRATION

CIRCA, £39,000

We are a charity working in the heart of a multi-ethnic inner city area to provide secure homes for people who do not have them. We are a community association and have a strong commitment to tenant participation.

We are looking for an exceptional person to lead our financial strategy to create more homes for the community, by innovative raising of private finance and public funds.

You must be a qualified accountant with strong track record and able to demonstrate:-

- outstanding ability in financial management
- proven ability to lead, motivate and manage staff
- excellent communication skills
- commitment to the aims of the association and to equal opportunities.

We are offering a stimulating working environment in a rapidly growing organisation. We own 2,600 houses worth £195m and a £20m development programme this year.

Closing date 15 November 1991

For an application pack and an application form please contact:
Margaret Fox
Shepherds Bush Housing Association Limited
28/29 Eastman Road
London W3 7YG

For an informal discussion please contact:-
Caroline Pickering
Acting Chief Executive
Tel No. 081 743 7455
Fax No. 081 749 8730

Shepherds Bush Housing Association Ltd
Is an equal opportunities employer and discourages smoking

CHIEF ACCOUNTANT
International Tourism

WEST LONDON **£28K -£30K + Car + Benefits**

- We are the European sales and marketing operation for an international group of integrated tourism service businesses with ground operations throughout Africa and the South Pacific, and part of the multinational group BET plc.
- As the company's chief financial officer, you will have full responsibility for financial control and management reporting including forecasting and planning, cash and working capital management, and the submission of monthly financial data to the BET centre to strict deadlines. The role reports to the Managing Director of the company.
- You will be a qualified accountant with at least 3 years post qualification experience, preferably in a commercial environment. Constant liaison with the overseas operating subsidiaries demands good communication skills, and an understanding of the dynamics of the tourism industry would be an advantage.
- Previous "hands on" experience of computerised systems is essential as the company's financial, sales and operational data is all processed on an integrated NCR Tower system, running industry specific software packages.
- Candidates who meet the stated requirements should submit CV's to:-

Dena Cummings
United Touring International Limited
71/75 Uxbridge Road
London W5 5SL

ASSISTANT FINANCE DIRECTOR - FINANCIAL ACCOUNTING
LEADING INTERNATIONAL PETROCHEMICAL TRADING GROUP

is seeking talented person to join their team in Belgium.

The successful candidate will be responsible for

- Foreign Exchange Transactions
- Financial Reporting
- Integrity of Financial Controls

Candidates will be qualified chartered accountants, aged to 25 to 35, with a flexible "hands on" approach, self-confident and wholly commercial in outlook.

Knowledge of other European languages is highly desirable.

Working within a fast moving, dynamic environment.

This is an excellent opportunity and offers a real challenge to progress with a highly ambitious organization.

In return, the company offers excellent remuneration.

C.V. and photograph to be forwarded to
Box No: A422, Financial Times,
One Southwark Bridge, London SE1 9HL

GERMANY

We have a number of vacancies in Service and Manufacturing Groups for qualified Chartered and Management Accountants.

If you are aged 23-28, speak fluent German and are interested in an international career, please telephone:

Edward Akerman at ASA International, Recruitment Consultants 071 353 1244

FINANCIAL DIRECTOR DESIGNATE
To £35,000
Royston, Herts

Outstanding opportunity for a qualified accountant with industrial/ commercial experience, aged 30-40. Please contact:

Gerry Pearson
GAPINCORP
36, Sharples Green
Barton Hills, Luton, LU3 4BB.
Tel & Fax 0582 579 286

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STEPHANIE SPRATT 071 873 4027

Customs and Excise wishes to appoint a Finance and Accounting Principal for its Southend headquarters.

In this important role, the successful candidate will assist the Deputy Accountant and Comptroller General in the review and management of the department's main accounting functions. In particular the postholder will be required to develop commercial-style statutory and management accounts, ensuring that the design, specification and operation of all systems are based on the most appropriate methodology. He or she will also be responsible for the department's banking services, the preparation of the department's statutory and revenue accounts and supervision of accountancy related projects.

In addition to a professional accounting qualification (ICA, ACCA, CIMA or CIPFA) candidates will have knowledge of current management and accounting systems. Experience of commercial accounting would be an advantage. Applicants will also be expected to demonstrate good technical skills, with the ability to make balanced judgements which show sensitivity and understanding of the major implications of proposed changes. Man management and inter-personal skills will be essential; IT awareness would be useful.

The salary for this post is in the range £23,855 – £27,819 though up to £31,747 may be available for a particularly well qualified candidate.

For further details and an application form (to be returned by 15th November 1991) please write to Recruitment & Assessment Services, Alencon Link, Basingstoke, Hants RG21 1JB or telephone Basingstoke (0256) 468551 (answering service operates outside office hours). Please quote reference C/92/1247.

HM Customs & Excise is an equal opportunities employer.

H M CUSTOMS AND EXCISE

FINANCIAL CONTROLLER
MIDLANDS

Our client is a member of a successful PLC Group specialising in the design, installation and maintenance of specialist systems for buildings.

They are seeking to recruit a Financial Controller to run the financial operations of their Maintenance and Building Management division. There are six companies within the division with a total of 350 employees and a turnover in excess of £18m.

Reporting to the divisional Managing Director, you will have all the normal responsibilities of a Financial Controller. In particular you will be expected to make a significant contribution to the development and growth of the division by using your skills obtained in both financial and commercial environments.

To be considered for this position it is essential you are a commercially aware, qualified accountant with a background in engineering and contracting. You should possess an in-depth knowledge of computerised accounting systems and a proven track record in management.

There is an excellent benefits package including salary, fully expensed car, pension and health insurance.

If you are interested in this position please telephone for an application form to:-
Gibson Barclay Limited,
Recruitment Consultants,
1 Newbold Terrace, Leamington Spa,
Warwickshire CV32 4EA.
Telephone: 0926 885300 (24 hours).

Absolute confidentiality is assured.

GIBSON BARCLAY

NEWS INTERNATIONAL PLC
FINANCIAL EXECUTIVE

Berlin Based **c.120,000 DM** **Benefits**

News International is the European subsidiary of The News Corporation the multi-national media company.

We have recently established a joint venture operation in Berlin and have successfully launched a newspaper there and the business is expanding rapidly. As the United Kingdom partner we now seek a financial executive to join the new team. Preference will be given to qualified accountants but specific experience in budgeting, management accounting techniques and financial reporting is an essential requirement.

The successful applicant

- will report to the London-based senior directors
- will be bilingual, with an absolute fluency in German
- will probably be about 30 years of age
- will be highly motivated
- will be based in Berlin for up to 12 months

The position offers a good salary and a very attractive range of benefits.

Letters of application, accompanied by a comprehensive c.v., should be mailed or faxed to:

Tudor Hopkins
Director of Human Resources
News International Newspapers Limited,
PO Box 481, Virginia Street, London E1 9BD
Fax No: 071 481 0517

FINANCIAL DIRECTOR - NORTH AMERICA
Circa £70,000

Required for the N. American interests of a European based international group of freight forwarders.

The position will involve the re-organisation of the financial systems and controls of the group's N. American offices. The successful applicant will therefore hold an appropriate professional accountancy qualification and be able to demonstrate an ability to organise, communicate at all levels and where necessary operate "hands on". A knowledge of the freight forwarding industry and experience of computer systems essential.

The position is based in California and will involve travel to all offices. A successful track record during this initial period of approximately two years could lead to further progress within the group.

Replies - principals only - in writing to:

John Clarke, Clarke & Co.,
59 Curzon Road, Muswell Hill,
London N10 2RB

Financial Controller

Middlesex c.£40,000

Our client is a new and rapidly growing division of a successful plc and is involved in equipment rental and leasing in Eastern Europe. Growth in this area has been phenomenal and expectations are that this trend will continue for the foreseeable future.

The Financial Controller is a new appointment and will take on the role of the division's number two and right-hand to the Managing Director. Initial responsibilities will include the development of systems to produce accurate management information for the division, including marketing and operational information as well as financial results. The Financial Controller will also be expected to set up links with overseas subsidiaries, developing effective communications and strong relationships. It will also be necessary to develop an intimate knowledge of and good working relationships with the various international banking organisations.

Candidates will be qualified (preferably ACA) accountants, and should have previous experience in asset funding/leasing. As well as superior financial skills, the appointed candidate will have the commercial awareness to enable him/her to contribute to the general management of the business. A sound knowledge of banking procedures throughout Europe would be advantageous as would previous systems development experience. Personal attributes will include self-motivation, well-developed communications skills and the ability to operate effectively at all levels in an international environment.

Travel throughout Europe can be expected to occupy approximately one third of the working year.

Please send career and personal details to Frances A. Bell, quoting JH/2086, AAD Recruitment Consultants, 7 Curzon Street, London W1Y 7FL.

AAD *The Advertised Appointments Division of Odgers and Co. Ltd.*

COMPUTER ACCOUNTING

Qualified Accountant is required by medium sized PLC clothing company.

Candidates should have 5 years' post qualification experience with emphasis on computer information systems and their installation.

Preferred age 30 - 35

Package will include car, medical insurance and salary circ. £30K.

Please send current C.V. to Box A1659, Financial Times, One Southwark Bridge, London SE1 9HL

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For further information please call

Richard Jones 071-873 3460

Teresa Keane 071-873 3199

Alison Prin 071-873 3607

Phillip Wrigley 071 873 3351

Chief Accountant

London £27,800 p.a.

Save the Children is the UK's largest international voluntary agency in its field, with programmes in some 50 countries and a well established project base in the UK.

To finance our work, we depend upon support from the general public, volunteers in over 800 local branches in the UK, the corporate sector, local authorities and central government.

The Finance Department provides accounting and information services to the whole of The Fund worldwide. As Chief Accountant (deputy to the Finance Director) you will direct the department's work in response to changing situations within The Fund — and advise other departments on financial matters to safeguard The Fund's assets and reputation. You will have the responsibility too, for overseeing our new general ledger system and the implementation of a new supporter system within the next 12 months.

A qualified accountant (ACA, CACA or equivalent) with at least seven years experience in financial management, you will need to become familiar with the complex technical issues that face charities. Your skills will also include the ability to manage and motivate your 30-strong team.

This position presents a marvellous and rare opportunity for the right individual to be involved with this high profile organisation. It's a role that will involve some travel, too, both in the UK and overseas.

For an application form please write to Jane Williams, SCF, 17 Grove Lane, London SE5 8RD.

Closing date: 7th November 1991.

SCF aims to be an equal opportunities employer.

Save the Children

EUROPEAN FISCAL DESIGN AND OPTIMISATION

Thames Valley

c.£45,000 + Car + Extensive Benefits

Having consistently demonstrated an enviable track record both in terms of growth, market share and profitability, this major high technology group is committed to further developing its success based upon employing continual technical innovation allied to a strong commercial awareness of the markets within which it operates. An important feature of its management structure has been the influence and impact that its finance function has with particular reference to strategy and long term planning within the Group.

In order to further strengthen its breadth and depth of expertise within the area of Group finance, the organisation is now keen to recruit an individual who will be responsible for the establishment and development of a function dedicated to address areas relating to risk analysis, fiscal control, transfer pricing and profit allocation.

Reporting to the Chief Financial Officer of the organisation's worldwide distribution operation, you will be responsible for initiating and controlling a number of projects relating to the Group's European operations with a particular emphasis on operational tax planning and long term strategy.

As a new role, the position will require the intellectual and perceptive attributes of a highly motivated individual able, on occasions, to cut through red tape, allied to proven analytical and financial acumen gained from within an international company environment.

Aged in your late 20's to mid 30's with either an accounting or international finance background, having already gained demonstrable experience in a similar functional activity, you should now be keen to further develop your career and expertise in a rapidly evolving group of companies.

Interested candidates should contact Charles Austin on 071-629 4463 (day) or 0234 262195 (eves) or write enclosing a full curriculum vitae to the address below quoting RefCA342.

HARRISON WILLIS
EXECUTIVE SEARCH & SELECTION
Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 071-629 4463
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THE CITY & HACKNEY HEALTH AUTHORITY PROVIDER UNIT

DIRECTOR OF FINANCE

Health Services in this major London teaching District are managed as one unit and include St Bartholomew's, St Mark's, Hackney and Homerton Hospitals together with the Community Services.

We are looking for an enthusiastic and dynamic person to lead our finance function and to make a significant contribution to organisational strategy. The person appointed will be a member of the executive board and report to the Chief Executive.

Ideally candidates should hold a recognised accountancy qualification, have substantial experience at a senior management/board level in a large organisation and demonstrate an ability to adapt modern accounting techniques to an NHS environment. Candidates should also have a wide ranging understanding and experience of the application of information technology.

Considerable diplomatic and persuasive skills will be needed together with a knowledge of and sensitivity to the particular problems and complexities of today's NHS

Salary negotiable.

Please send a career resume including a daytime telephone number and quoting reference number SM/500 to Sheila McIlroy, Director of Human Resources, Human Resources Department, 2nd Floor, Queen Mary Wing, St Bartholomew's Hospital, West Smithfield, London EC1A 7BE. Tel: 071 601 8117.

Closing date: 4th November 1991.

Working Towards Equal Opportunities

PROPERTY ACCOUNTING MANAGER
International Fund Management Group

c£33,000 + Car + Generous Benefits Package

Peterborough Based

Our client is a new subsidiary of a major international group and seeks to establish itself as a leading fund manager in the UK. The company will manage an initial portfolio of £13 billion.

Property investments comprise a significant element of this portfolio and they now seek an ambitious accountant, preferably with experience gained in an environment with property investment or development connections, to be Property Accounting Manager.

Working closely with the Property Services Manager and the London-based Financial Controller, your challenge will be to improve existing property accounting operations substantially. You will be responsible for the integrity of all property accounting systems, controls and procedures, the development of improved management information and reporting systems, and the management of an established team. You will also be expected to provide advice on financial aspects of property management to the Director of Property Investments.

You will be a qualified accountant, most likely aged 28-35, with the ability to effect change and make a major contribution to the development of the property operation.

Benefits include housing allowance and non-contributory pension. A full relocation package is also available.

For a confidential discussion and further information please call Neil Wax on **071-387 5400** (out of hours on **0923 819298**) or write to Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN, with details of current salary, quoting Ref: 100633.

FINANCIAL SELECTION SERVICES

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TEL: 071-387 5400. FAX: 071-388 0857

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CHIEF ACCOUNTANT

C£35,000 + CAR + BONUS **E LONDON**

THE COMPANY - is a major name in the commercial construction/civil engineering industry. Recent projects include developments in Central London, the South East of England and Europe.

THE POSITION - of Chief Accountant has a staff complement of 12 and is responsible for the production of management and financial accounts, statutory reporting, budgets and forecasts. The Chief Accountant reports to the Financial Director, working closely with him on projects and planning matters.

THE PERSON - will be a Qualified Accountant with proven man-management skills and aged 28/35. The successful applicant will need to have a hands-on approach, be commercially aware and able to develop within a successful, growing company.

Interested applicants should write to David Sattin at Marks Sattin Ltd, Bewlay House, 2 Swallow Place, London W1R 7AA quoting Ref: 123

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With Rapid Expansion

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EXperience in Practise Essential

Ideal Candidate Would be Between 28-34

Looking for Rapid Partnership Prospects.

Write Box A1672, Financial Times, One Southwark Bridge, London SE1 9HL

NORTH HOUSING

FINANCE DIRECTOR

£45k + car and other benefits

North Housing needs a Finance Director. John Cassidy is retiring in May 1992.

The new Director could be you – if you have experience in leading the development of financial strategy in a major organisation.

You will have had control of substantial borrowing programmes including income generation and treasury management. You will also be a successful manager of finance personnel and at North Housing you will find a skilled team. Your experience does not have to include a knowledge of housing association finance but it would help. You will be able to *demonstrate an ability to make things happen.* You will be at home talking to the City and equally at home talking to the tenants of the houses you help to provide.

North Housing is a housing management organisation. Our prime objective is the provision of houses to rent. We are one of the largest, most active and innovative of housing associations. There are 21,000 homes in management, 850 were built last year. Capital expenditure last year of £40 million and £50 million this year demonstrates the scale of continuing activity. People need homes to rent and the challenge to us is to provide as many as we can and to manage and maintain those that we have. The Finance Director has a key role to play in meeting that challenge.

North Housing strives to afford equal opportunity to all individuals and sections of the community and welcomes applications from all races, both sexes, and from people with disabilities.

If you wish, the Chief Executive, Alan Kilburn will be available to discuss the post and answer your questions prior to application.

Applications in writing should be submitted no later than Monday 18th November 1991 addressed to: The Chief Executive, North Housing Association Limited, Ridley House, Regent Centre, Gosforth, Newcastle upon Tyne, NE3 3JE (Tel: 091 2850311).

PA ZUM FINANZ-DIREKTOR

Düsseldorf

bis DM 100.000

Internationale Werbeagentur-Gruppe mit Sitz in Düsseldorf sucht PA (Personal Assistant) zum Finanzdirektor.

Die Gruppe hat sich in den letzten Jahren spektakulär entwickelt und ist heute eines der weltweit bedeutendsten Werbenetze. Sie ist mit Agenturen in allen europäischen Hauptstädten vertreten und verfolgt ehrgeizige Acquisitionsziele.

Für die deutsche Hauptagentur in Düsseldorf wird ein/eine junger/e Finanzfachmann/-frau gesucht, der/die über Erfahrungen bei einer englischsprachigen Wirtschaftsprüfungsfirma oder einem vergleichbaren Unternehmen verfügt. Er/Sie wird dem Finanzdirektor beim Reporting zur Holding, zum Management und zur Treasury, bei der Zusammenarbeit mit Wirtschaftsprüfern und anderen Beratern sowie bei Sonderprojekten unterstützen. Er/Sie wird eine umfangreiche Untersuchung aller internen Arbeitsvorgänge vornehmen und federführend den Aufbau eines neuen EDV-Systems leiten.

Ausgezeichnete Deutsch- und Englischkenntnisse sind Voraussetzung, zusätzliche Kenntnisse des Französischen wären vorteilhaft. Gesucht wird eine dynamische, kontaktfreudige Persönlichkeit, die die Fähigkeit mitbringt, technische Fragen auch Laien zu vermitteln.

Gespräche werden in Düsseldorf und London geführt. Richten Sie Ihre schriftliche Bewerbung auf Englisch bitte an unser Büro in London, oder rufen Sie *Gary Johnson oder Jennifer Ogden* an unter den Nummern *(00 44) 71/629 4463* (tagsüber) und *(00 44) 58/283 2801* (abends und am Wochenende).

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HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS
Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 071-629 4463
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Financial Controller

Surrey £40,000+

A recently formed Oil Company with interests in the Russian Federation is now appointing a FINANCIAL CONTROLLER.

Reporting to the Managing Director, the Financial Controller will function as Company Secretary and be responsible for all aspects of the Company's finance, accounting and tax affairs, together with general administrative management.

The successful candidate should be qualified and have a successful track record in the oil industry. You must be able to demonstrate financial flair, be self-motivated, *innovative and forward thinking.*

To apply, please write with a full CV and quoting Ref. UK 141491 to: **Richard Overell, BFSS, Queen Hythe, Jacobs Well Road, GUILDFORD, Surrey GU4 7PA, or Fax on 0483 36787.**

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FT/LES ECHOS

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Filiale de GRAND METROPOLITAN, leader mondial sur le marché de la crème glacée de luxe, nous poursuivons notre croissance en Europe et recherchons pour notre futur centre de production européen un :

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Ce poste, basé à Arras, nécessitera un séjour de 6 mois principalement à notre siège européen situé à Paris, la mise en route de l'usine étant prévue pour l'automne 1992

Merci d'adresser votre dossier de candidature (lettre manuscrite C V., photo) sous la réf. K/CF/FT à notre conseil Claire ANTOINE - ROUSSEAU chez :

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membre de SYNTEC

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City centre practitioner with large high quality practice employing 22 (and rising) needs a mature experienced *Chartered Accountant* to act as his P.A. The job involves taking charge of administration, of quality control (we are heading for B.S. 5750), of training, review and progress chasing. We are offering a high salary, bonus, car and pension scheme. Please send c.v. and we will send selected applicants a full job specification prior to interview.

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